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

2023 Annual Report

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This report has been prepared in Chinese and English respectively. In case of discrepancy, the Chinese version shall prevail, except for the Independent Auditor's Report and the financial report prepared in accordance with IFRS Accounting Standards, 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 company 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 the 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 focused on its primary leasing business and pursued its long-term goal of "professional, group-based, internationalized and digitalized" business development. It has also provided tailored services to a wide range of customers, including LMEs, MSEs and retail customers. We have continued to provide comprehensive financial services to customers in advanced manufacturing, energy and environmental protection, construction, urban utilities, transportation & logistics, 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 ecosystem partners, etc., in an effort to achieve a win-win situation. 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 Advanced Manufacturing Business Department, Digital Environmental Protection Business Department, Green Energy Business Department, Construction Business Department, Public Services Department, Healthcare Business Department and Asset Transaction Department. We have also established 21 branches all over the country. 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.

BOARD OF DIRECTORS

Executive Directors

Mr. DING Xueqing (chairman of the Board)

Ms. ZHOU Jianli

Non-executive Directors

Mr. ZHANG Xinjun

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. DING Xueqing

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

Mr. LAM Kang Chi (Note)

AUTHORIZED REPRESENTATIVES

Mr. DING Xueqing

Mr. LAM Kang Chi (Note)

Note: On May 12, 2023, Ms. So Shuk Yi Betty resigned as the joint company secretary, the authorized representative and the process agent of the Company, and Mr. Lam Kang Chi was appointed as the joint company secretary, the authorized representative and the process agent of the Company. For details, please refer to the announcement of the Company dated May 12, 2023.

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
183 Queen's Road East
Wanchai, Hong Kong

REGISTERED ADDRESS

No. 599 South Zhongshan Road
Huangpu District
Shanghai
PRC

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Dah Sing Financial Centre
No. 248 Queen's Road East
Wanchai
Hong Kong

COMPANY'S WEBSITE

https://www.utfinancing.com

STOCK CODE

1905

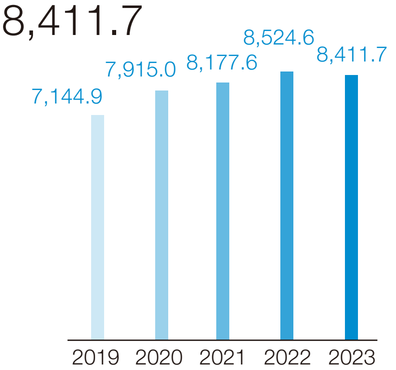
LISTING DATE

June 3, 2019

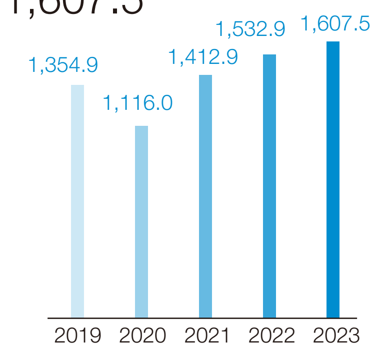
1. OVERVIEW OF KEY FINANCIAL DATA

For the year ended December 31, 2023

Total revenue
RMB in millions
8,411.7



Profit for the year
RMB in millions
1,607.5

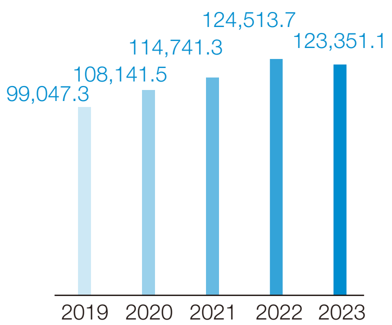


Basic earnings per share
RMB yuan/share

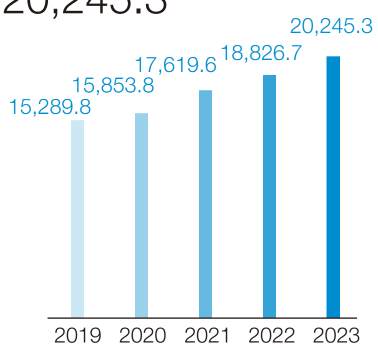
0.18

As at December 31, 2023

Total assets
RMB in millions
123,351.1



Total equity
RMB in millions
20,245.3



Net assets per share
RMB yuan/share

2.04

	2022	2023
Net interest margin	3.51%	3.66%
Average yield of interest-earning assets	6.81%	6.86%
Net interest spread	3.08%	3.22%
Weighted average return on net assets	9.16%	8.88%
Asset-liability ratio (As at December 31)	84.88%	83.59%
NPA ratio (As at December 31)	1.09%	1.12%

2. CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	For the year ended 31 December				
	2023	2022	2021	2020	2019
	(RMB in millions, except percentages)				
Total revenue	**8,411.7**	8,524.6	8,177.6	7,915.0	7,144.9
Total revenue and other income, gains or losses	**8,913.0**	8,862.0	8,953.2	8,545.1	7,449.0
Interest expenses	**(3,636.1)**	(3,541.9)	(3,527.8)	(3,676.1)	(3,331.3)
Total expenses	**(6,760.8)**	(6,805.8)	(7,021.6)	(7,056.9)	(5,647.9)
Profit before income tax	**2,152.2**	2,056.2	1,931.6	1,488.2	1,801.1
Income tax expense	**(544.7)**	(523.3)	(518.7)	(372.2)	(446.2)
Profit for the year	**1,607.5**	1,532.9	1,412.9	1,116.0	1,354.9
Earnings per share attributable to ordinary shareholders of the Company (RMB yuan/share)					
— Basic	**0.18**	0.17	0.16	0.13	0.16
— Diluted	**N/A**	N/A	N/A	N/A	0.16
Profitability indicators					
Return on average assets [(1)]	**1.30%**	1.28%	1.27%	1.08%	1.50%
Weighted average return on net assets [(2)]	**8.88%**	9.16%	8.91%	7.45%	9.92%
Cost-to-income ratio [(3)]	**14.66%**	15.29%	13.02%	10.93%	10.78%
Profit margin before tax and provision [(4)]	**43.96%**	43.49%	45.61%	43.16%	43.24%
Net profit margin [(5)]	**19.11%**	17.98%	17.28%	14.10%	18.96%
Profitability indicators of assets					
Average yield of interest-earning assets [(6)]	**6.86%**	6.81%	6.79%	7.03%	7.23%
Of which: finance lease business [(7)]	**6.88%**	6.85%	6.96%	7.36%	7.54%
Average cost of interest-bearing liabilities[(8)]	**3.63%**	3.73%	3.93%	4.34%	4.58%
Net interest spread [(9)]	**3.22%**	3.08%	2.86%	2.69%	2.65%
Net interest margin [(10)]	**3.66%**	3.51%	3.30%	3.17%	3.17%

3. CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	As at December 31				
	2023	2022	2021	2020	2019
	(RMB in millions, except percentages)				
Non-current assets	**63,656.9**	66,888.9	52,874.0	52,279.2	47,897.8
Receivables from finance lease business (Note)	**51,841.2**	54,950.4	42,792.0	40,883.6	37,934.9
Property and equipment	**7,127.7**	7,307.2	5,463.2	7,154.2	4,730.0
Current assets	**59,694.2**	57,624.8	61,867.3	55,862.3	51,149.5
Receivables from finance lease business (Note)	**47,567.7**	49,058.0	45,768.6	42,742.3	36,950.4
Total assets	**123,351.1**	124,513.7	114,741.3	108,141.5	99,047.3
Current liabilities	**53,865.0**	57,560.7	57,562.4	48,362.6	46,183.7
Borrowings	**23,688.1**	25,672.5	25,796.4	22,205.2	19,660.8
Bonds payable	**23,730.1**	23,883.1	23,409.9	18,408.9	20,114.2
Total equity	**20,245.3**	18,826.7	17,619.6	15,853.8	15,289.8
Equity attributable to owners of the Company					
— Ordinary shareholders	**16,765.2**	16,139.5	15,151.4	14,278.3	14,035.9
— Other equity instrument holders	**3,430.7**	2,642.9	2,384.5	1,523.8	1,237.2
Non-controlling interests	**49.4**	44.3	83.7	51.7	16.7
Non-current liabilities	**49,240.8**	48,126.3	39,559.3	43,925.1	37,573.8
Borrowings	**22,105.3**	23,146.8	18,145.2	21,796.4	18,096.4
Bonds payable	**21,657.7**	18,670.2	14,865.4	13,951.1	11,332.8

	As at December 31				
	2023	2022	2021	2020	2019
	(RMB in millions, except percentages)				
Net assets per share (RMB yuan/share)	**2.04**	1.96	1.84	1.73	1.70
Solvency indicators					
Asset-liability ratio (11)	**83.59%**	84.88%	84.64%	85.34%	84.56%
Gearing ratio (12)	**450.38%**	485.34%	466.62%	481.66%	452.62%
Asset quality indicators					
NPA ratio (13)	**1.12%**	1.09%	1.07%	1.10%	1.08%
Allowance coverage ratio for NPAs (14)	**265.82%**	252.02%	258.80%	255.16%	265.19%

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 year by the average balance of total assets at the beginning of the year and the end of the year.

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

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

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

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

(6) Calculated by dividing interest income by the average present value of interest-earning assets. Interest income is the sum of income from finance lease business and interest income from entrusted loans and other loans (interest income in the comparison period included factoring interest income). Interest-earning assets consist of receivables from finance lease business, entrusted loans and other loans (excluding assets related to other business such as operating leasing business, and interest-earning assets in the comparison period included factoring receivables). Average balances are calculated based on balances as at the end of last year and the middle and the end of the year. In this report, the balances of interest-earning assets used in such calculation represent the present value before deduction of allowances for impairment losses.

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

(8) Calculated by dividing interest expenses by the average balance of interest-bearing liabilities. Interest-bearing liabilities consist of borrowings, bonds payable, business deposits and notes payable, excluding the interest-bearing liabilities related to other business such as operating leasing business. Average balances are calculated based on balances as at the end of last year and the middle and the end of the year. In this report, the balances of borrowings and bonds payable used in such calculation represent the outstanding principal amounts of such borrowings and bonds payable.

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

(10) Calculated by dividing net interest income (excluding other business such as operating leasing business) by the average present value of interest-earning assets calculated based on balances as at the end of last year and the middle and the end of the year.

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

(12) Calculated by dividing total debt by total equity. The total debt consists of borrowings and bonds payable.

(13) Represents the percentage of NPAs in the present value 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 present value of non-performing interest-earning assets.

Chairman's Statement

Looking back to 2023, the road to global economic recovery has been bumpy. With frequent geopolitical conflicts, uncertainty persisted in international financial markets. Against the backdrop of sluggish global economic growth, Chinese government has adhered to the general tone of seeking progress while maintaining stability, and resolutely implemented various reform initiatives to strengthen the endogenous momentum of development while promoting the development of international free trade. It has become an important driving force for the stable growth of the world economy. Overall, the favorable conditions for China's development outweighed the unfavorable factors, and its macroeconomy has continued to show an upward trend.

The Group fully implemented the spirit of the 20th CPC National Congress, adhered to Party building to guide the Company's all-round business development, actively practiced the "One Haitong" concept, and further strengthened the Haitong Unitrust brand influence. By following the guidance of China's industrial policy, the Group grasped and acted in accordance with the general trend, and our operating performance has reached unprecedented levels. In 2023, all business indicators of the Group were stable and improving, with profit for the year exceeding RMB1.6 billion for the first time, reaching a historic high.

The Group maintains its strategic focus on providing leasing services, adheres to its original mission of serving the real economy, seizes the opportunity presented by the transformation and upgrading of traditional industries and the accelerated construction of the modernized industrial system, and leverages its inherent investment banking DNA to gain a deep insight into the changes in the financial leasing market. In 2023, focusing on the integration of industry and finance, we continued to explore opportunities for cooperation with upstream and downstream partners in the industry, accelerated the construction of an industrial ecosystem, and laid a solid foundation for industrial transformation. We launched the first single maximum revolving leasing product in the industry, earning the Third Prize of Shanghai Financial Innovation Achievements (上海金融創新成果三等獎) issued by the Shanghai Municipal People's Government. Furthermore, leveraging technological innovation as key driving forces for promoting future development, we integrated technology strategy and information security into the overall development plan of the Company, and expedited the Company's digital transformation.

We actively participated in various industry and external exchange activities, and made outstanding contributions to sharing business experience within the industry, enhancing external understanding of the leasing industry, and strengthening links with the real economy. In 2023, we actively promoted the convening of the Talent Development Conference by the Shanghai Financial Leasing Industry Association as the Executive Chairman Unit, compiled and released a white paper on talent development in the industry to support the development of an industry talent ecosystem. We hosted a computing power ecosystem conference, established a platform for computing power technology and industry exchange and cooperation and joined hands with industry participants to build a new pattern of ecological development of computing power. We successfully held a seminar in respect of economic development of "emission peak and carbon neutrality". Our efforts fostered a collaborative development of the industrial ecosystem among all stakeholders under a shared, symbiotic, cooperative and win-win approach. We co-organized a conference, "Lease-Investment Linkage — Financial Empowerment" (租投聯動·金融賦能), to promote the quality development of the Yangtze River Delta G60 Science and Technology Corridor, were invited to the Shanghai neoBay "Lease-Investment Linkage — Financial Empowerment" Conference on High-Quality Development of Biomedical Industry, and held a sub-forum on "financial leasing services for green industry development", providing precise services for the development of the real economy through the integration of industry and finance. As such, we were able to empower and collaborate with enterprises in a mutually beneficial manner. As one of the first member units, we were selected into the Shanghai Intelligent Manufacturing Industry Finance Ecological Consortium and joined the Shanghai Green Finance Service Platform. In addition, we attended the first Leasing Industry Investment and Financing Summit (2023) and Golden Spring Awards ceremony, the 2023 Forbes China Financial Leasing Summit, the 2023 (10th) Global Leasing Industry Competitiveness Forum & Annual Summit, the 2023 (13th) China Anti-Money Laundering Summit and the Third Lujiazui National Security Summit, and received various awards.

The Group emphasizes social responsibility and the pursuit of sustainable development. We developed and issued the Haitong Unitrust Sustainable Development Plan 2023–2026, which serves as a blueprint for sustainable development. We regard "Long-lasting Mutual Trust Brings Together the Future" (恆久互信，融聚未來) as our sustainable development concept, with "Long-lasting: sustainable business", "Harmony: stable operation" and "Trust: responsible citizen" as the three pillars of sustainable development. We have developed action goals for each of the nine key areas to comprehensively guide internal work on sustainable development, with the hope of using ourselves as a medium to improve the positive image of the financial leasing industry and contribute to the achievement of global sustainable development goals.

Chairman's Statement

We are committed to fostering growth alongside our customers, driven by our unwavering determination. On the 10th anniversary of Haitong Securities' acquisition of Haitong Unitrust, on behalf of the Board, I would like to express my sincere gratitude to our Shareholders, customers, business partners and other parties for their continuous trust and support. Spring is in sight, and the future is promising. We will adhere to the sustainable development concept of "Long-lasting Mutual Trust Brings Together the Future" (恆久互信，融聚未來), consolidate the spirit of struggle and gather the momentum, work hard to accelerate the construction of a new ecosystem integrating industry and finance, and strive for the prosperity of Haitong Unitrust in the next decade.

DING Xueqing
Chairman and Executive Director
March 28, 2024

General Manager's Statement

In 2023, the Group paid close attention to the changes in the macro environment and pursued the operating strategies of "cross-border thinking, promoting innovative development, strengthening our capacity and grasping business opportunities" while strictly following the national industrial development strategies. The Group expanded the business concept of investment banking, insisted on providing leasing services, actively pursued and implemented innovations, and further strengthened its industrialized development by capitalizing on its advantage of "financing with capital + goods" and actively increasing the proportion of investment in strategic emerging fields. Efforts were made to develop the business network and the digital transformation enabled by financial technology in order to promote the Company's high-quality and long-term development through compliant and innovative operations. Our efforts to increase profitability, maintain stable operations, control risks, and optimize financing have proven successful.

(1) Our profitability has steadily improved. We insisted on serving the real economy and increased business investment in strategic emerging fields, optimized liability structure and strengthened asset management. In 2023, we achieved total revenue of RMB8,411.7 million and profit for the year of RMB1,607.5 million, representing a year-on-year increase of 4.9% in profit for the year.

(2) Our total assets remained stable. We insisted on providing leasing services and adhered to the path of industrial transformation and development. As at December 31, 2023, our total assets were RMB123,351.1 million. Our total equity was RMB20,245.3 million, representing an increase of 7.5% as compared with the end of last year.

(3) Our asset structure was further optimized. We closely followed national industrial policy and maintained investment in advanced manufacturing, energy and environmental protection and other industries. Development of business in strategic emerging areas was also promoted. The investment in advanced manufacturing business in 2023 was approximately RMB16 billion, accounting for over 28% of total investment. The investment in green leasing business exceeded RMB13 billion, accounting for approximately 23% of total investment.

(4) Overall risks were stable and manageable. We continued to improve our comprehensive risk management system and strengthen the level of compliance and internal control, and our overall asset quality has remained stable, with a strong ability to withstand risks. As at December 31, 2023, the NPA ratio and allowance coverage ratio for NPAs of the Group were 1.12% and 265.82%, respectively.

(5) Financing costs were effectively reduced. We innovated and optimized financing models, and continued to enhance our financing capabilities. The average cost of interest-bearing liabilities was 3.63% in 2023, representing a year-on-year decrease of 0.10 percentage points.

Grasping the main objective of serving national strategy and real economy, we have vigorously promoted the expansion of business in strategic emerging areas such as advanced manufacturing, green leasing and digital economy and guided the steady increase in the proportion of direct leasing business. We further improved the allocation of assets, utilized extensive financial services to create a distinct integration of finance and industry, actively promoted the industrialization transition of businesses, and actively developed industrial ecosystems, including advanced manufacturing, green travel, new energy, energy conservation and environmental protection, IDC/computing power, digital logistics, and small and micro enterprises.

Based in Shanghai to serve the entire country, we further expanded our national marketing network by establishing three branches in Shanxi, Xinjiang and Hebei in 2023. A total of 21 branches were established in key cities around China. We boosted our localized industrial research to support regional industrial development with financial leasing, and continued to optimize the reform of branches in different categories and levels in order to strengthen our professional regional leasing brand. Following China's strategic guidance of "emission peak and carbon neutrality", the Green Energy Business Department has been newly established to explore new paths for future green energy leasing.

To meet clients' changing needs for inclusive financial services in the digital era, we continued to launch upgraded financial products, sought stronger head-to-head strategic collaboration with core enterprises along industry chains, and identified high-quality MSEs with core competitiveness to activate new driving forces. With our extensive industry experience, comprehensive ecological chain resources, high-quality market channels, and extensive service network, and a focus on photovoltaic, energy storage, charging piles, and battery swap, we are working to create a new ecological business layout that covers various industrial chains in the field of transportation and logistics. We won multiple honors, including the "2023 Green Heavy Truck Annual Excellent Financial Service Provider Award", the "2023 Green Heavy Truck Annual Most Valuable Brand Award", and the "2023 Beijing Automotive Travel Industry Core Partner Golden Award".

We have increased our investment in financial technology and incorporated financial technology into all aspects of the Company's operations and management, using digital means to reshape, catalyze, and innovate business scenarios and business models, and focusing on improving the online automatic management of the entire business process, in order to promote the continuous upgrade of the Company's digitalization and intelligence, as well as comprehensively enabling the efficient business development. Our online customer acquisition mini-program guarantees the development of online businesses. Our platform for video due diligence and electronic signing enhances the efficiency of project advancement in remote scenarios. Our risk control engine enables system-assisted decision-making by accessing tremendous amount of external data. Our IoT monitoring platform and E-Vision ensure the security of assets in the post-lease stage. Our intelligent data model for fund management and expense control enhances the efficiency of fund utilization and optimizes expense control. Our proprietary mobile office client-side improves the convenience of daily operation and management, further enhancing the overall operational efficiency of the front, middle, and back offices.

We continued to expand diverse and stable financing channels, as well as enrich green financing products. We also introduced a number of innovative financing instruments for various industries to guide high-quality funds to support the development of key areas such as advanced manufacturing, green leasing, and digital economy. We issued the first "digital economy" technological innovation corporate bonds in the industry and the first "Yangtze River Economic Belt" asset-backed securities in the industry, and received awards such as the "Annual Best Exchange Financing Innovation Award" and the "Annual Best ESG Financing Award" at the Golden Spring Awards, as well as the "Most Influential Product in the Industry Award" and the "Best Green Financial Product Award" at the Golden Laurel Awards.

By adopting a prudent risk management philosophy, we strengthened our overall risk management standards by optimizing our risk pricing model, improving our customer rating system, reinforcing concentration management, revising our ESG risk management system, and optimizing our ESG risk management tools. We have adhered to the bottom line of compliance by thoroughly implementing the work requirements of the "Year of Consolidating the Culture of Compliance and Internal Control" (合規內控文化鞏固年), strengthening the institutional management system, and consolidating the foundation for overall compliance governance to ensure compliance and sound operation of the Company, as well as foster long-term balanced development of stable growth and risk prevention. We received the "2023 Kaimao Compliance Culture Construction Award" (2023開茅合規文化建設獎) jointly issued by China Centre for Anti-Money Laundering Studies Fudan University and the Lujiazui Financial Security Institute in 2023.

We further enhanced our ESG management capabilities and solidified ESG management to achieve a seamless integration of economic benefits and social value. We are firmly committed to serving the real economy and continue to support the high-quality development of our customers in green leasing, advanced manufacturing, infrastructure construction for people's livelihoods, rural revitalization, and inclusive finance. We stick to technology-enabled finance, promote the building of our public welfare brand, and further improve corporate governance and ESG management. With our outstanding business performance and effective management, we attended the 2023 Forbes China Financial Leasing Summit, and received the "2022 Forbes China Top 50 Financial Leasing Institutions" and "2022 Forbes China Financial Leasing Best ESG Practice Case" awards.

In the future, we will follow "One Haitong" as a guide and actively implement the spirit of "One Haitong Unitrust". We will forge ahead to actively implement the concept of high-quality development, and strive for our goal of becoming China's benchmark financial leasing organization. On behalf of the management and all employees of the Company, I would like to take this opportunity to extend our sincere gratitude to all Shareholders, customers, business partners and other stakeholders who have shown unfailing trust, understanding and support for the Group.

ZHOU Jianli
Executive Director and General Manager
March 28, 2024

1. OPERATION OVERVIEW

1.1 MACROECONOMY

In 2023, global geopolitical tensions rose and trade protectionism strengthened. Commodity market prices remained volatile, while the external environment became increasingly complex, severe, and uncertain. The government debt scale of some developed economies has hit new highs, while the benchmark interest rate level has risen to historical highs as a result of ongoing rate hikes. Currency depreciation intensified and capital outflows persisted in some developing countries, exacerbating global economic instability.

In 2023, China adhered to the overall tone of seeking progress while maintaining stability, fully, accurately, and comprehensively implemented the new development concept, and pushed the formation of a new development pattern. China's economy has successfully picked up and improved, with steady progress toward high-quality development. China's GDP in 2023 was RMB126,058.2 billion, representing an increase of 5.2% as compared with last year. The added value of the primary, secondary and tertiary industries increased by 4.1%, 4.7% and 5.8% respectively year-on-year. National fixed asset investment (excluding rural households) was RMB50,303.6 billion, representing an increase of 3.0% as compared with last year. In terms of sectors, infrastructure investment increased by 5.9%, manufacturing investment by 6.5%, while real estate development investment declined by 9.6%. Investment in high-tech industries grew by 10.3%, 7.3 percentage points higher than overall fixed asset investment.

In 2023, the People's Bank of China cut the deposit reserve ratio and policy interest rate twice to maintain a reasonable abundance of liquidity, driving down market interest rates such as the quoted interest rate in the loan market. As a result, the financing cost for the real economy has steadily decreased. The weighted average interest rate on new corporate loans was 3.88% in 2023, representing a year-on-year decrease of 0.29 percentage points and reaching a new record low. In 2023, the People's Bank of China boosted targeted support for critical areas such as technological innovation, advanced manufacturing and green development, while directing additional funding to areas such as private small and micro businesses and rural revitalization. The cumulative rise in the size of social financing in 2023 was RMB35.59 trillion, RMB3.41 trillion greater than last year. RMB loans increased by RMB22.75 trillion for the year, representing a year-on-year increase of RMB1.31 trillion. Commercial banks were encouraged to issue special financial bonds for MSEs, with a total of RMB263.7 billion issued in 2023.

1.2 REGULATORY ENVIRONMENT

In 2023, China's financial regulatory system went through major changes. The National Financial Regulatory Administration was established as an institution reporting directly to the State Council and has taken over the daily supervision over financial holding companies, related financial consumer and investor protection responsibilities. With the establishment of the regulatory system at the central level, a local financial regulatory system was established, with the central financial administration's local dispatched agencies acting as the primary body. The local financial regulatory system has been gradually improved, and many places have carried out regulation practices based on regulatory ratings. As the strict regulation over the financial industry continued, the business activities became increasingly standardized. In October 2023, the National Financial Regulatory Administration issued the Notice on Promoting Standardized Operation and Compliance Management of Financial Leasing Companies (《關於促進金融租賃公司規範經營和合規管理的通知》), encouraging financial leasing companies to focus on their primary responsibilities and business scopes, push the transformation and upgrading of traditional industries and strengthen the ability and level of strategic emerging industries and advanced manufacturing while emphasizing on strengthening the limit management of sale and leaseback business in new businesses, which is a meaningful reference for the accelerated transformation of financial leasing companies. Financial leasing companies need to re-examine their functional positioning and market orientation, focus on providing leasing services and strengthen the development of direct leasing business. Overall, the changes in the financial regulatory system and the introduction of industry regulatory policies will have a profound impact on financial leasing companies. Financial leasing companies with a strong presence in advanced manufacturing, green energy and other national policy-supported industries, as well as a strong governance structure and a focus on compliant business development, will have access to more and better market resources.

1.3 INDUSTRY CONDITIONS

Under the background of the optimization and adjustment of the top-level structure of national financial oversight, China's financial leasing industry is undergoing a crucial phase of gradual improvement in terms of unified supervision, transformation, optimization, and accelerated consolidation, which presents both challenges and opportunities. On the one hand, due to a range of factors such as the changes in the regulatory environment and intensified market competition, the number of financial leasing enterprises and the balance of leasing contracts in China continued to decline slightly. As at the end of 2023, 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, including enterprises listed by local regulators as inaccessible or having abnormal operations, and excluding companies that have officially withdrawn from the market) was approximately 8,846, representing a decrease of 993, or 10.9%, from 9,839 as at the end of 2022. The balance of finance lease contracts in China was approximately RMB5,640.0 billion, representing a decrease of approximately RMB210.0 billion, or 3.6%, from RMB5,850.0 billion as at the end of 2022. The decrease reflected that the business continued to shrink in general. On the other hand, as China's industrial structure continues to evolve and the double-cycle development strategy is firmly implemented, the financial leasing industry will see considerable growth opportunities and increased potential for expansion. The year 2024 marks the 75th anniversary of the founding of the People's Republic of China, as well as a vital year for achieving the objectives and tasks for the 14th Five-Year Plan. Countercyclical and intercyclical macroeconomic policy adjustments will continue to strengthen, and proactive fiscal policies and prudent monetary policies will continue to be implemented. Chinese government will leverage technological innovations to propel the development of a modern industrial system, while simultaneously encouraging ongoing economic structural transformation. The growth momentum continues to accelerate, and the development trend improves. Relying on its advantages in "financing with capital + goods", the financial leasing industry will take returning to the origin of leasing and serving the real economy as the main objective and focus on its main responsibilities and business, with serving advanced manufacturing, digital economy, green development, technological innovation, and medium-, small- and micro-sized enterprises as important direction for business transformation. It is expected to create new growth opportunities by aiding China's economic transformation and upgrading of its industrial structure, as well as promoting high-quality economic development.

2. DEVELOPMENT REVIEW

In 2023, we seized the opportunities arising from comprehensive domestic social and economic recovery, adhered to high-quality development of the Company led by Party building, emphasized corporate social responsibility, closely followed the government strategy and policies, and insisted on providing leasing services. We adjusted and optimized asset structure, expedited the industrial ecosystem construction, deepened the localization strategy, and increased financial technology empowerment, which has effectively improved asset quality and ensured the Company's steady growth in scale and continuous increase in revenue.

HIGH-QUALITY DEVELOPMENT LED BY HIGH-QUALITY PARTY BUILDING, WITH OPERATING PERFORMANCE REACHING UNPRECEDENTED LEVELS

The Group diligently studied and implemented the spirit of the 20th CPC National Congress, adhered to the comprehensive leadership of the Party and strengthened Party building, and vigorously promoted high-quality Party building to lead high-quality development in a comprehensive manner while adhering to the government strategy and focusing on serving the real economy. We increased efforts to improve Party conduct and anti-corruption, and made steady progress in pertinent themed education. We enhanced Party building brand marketing, studied and advocated the spirit of advanced role models, and strived to convert the benefits of Party building work into business development benefits, propelling the development of Haitong Unitrust to new heights.

As at December 31, 2023, total assets of Haitong Unitrust amounted to RMB123,351.1 million; and our total equity amounted to RMB20,245.3 million, representing an increase of 7.5% as compared with the end of last year. In 2023, Haitong Unitrust achieved total revenue of RMB8,411.7 million, and profit for the year of RMB1,607.5 million, representing a year-on-year increase of 4.9% in profit for the year. The average yield of interest-earning assets and weighted average return on net assets of Haitong Unitrust for 2023 were 6.86% and 8.88%, respectively.

VIGOROUSLY INCREASING INVESTMENT IN EMERGING FIELDS TO CONSOLIDATE THE INDUSTRIAL ECOSYSTEM

In accordance with its development strategies of "One Body, Two Wings" and "One Big and One Small", the Group has precisely recognized the development direction encouraged by national industrial policies by actively adjusting its business structure, vigorously exploring businesses in strategic emerging fields such as advanced manufacturing, green leasing and digital economy, and continuously optimizing its asset allocation. In 2023, we further enhanced the support for high-end equipment manufacturing, smart manufacturing, and new materials fields. We invested approximately RMB16 billion in the advanced manufacturing business, accounting for over 28% of the total investment. As at the end of 2023, the size of advanced manufacturing assets was approximately RMB22.6 billion. We continued to explore financial leasing to support "emission peak and carbon neutrality" green development and assist in the transformation and upgrading of green and environmental protection industries. We invested more than RMB13 billion in the green leasing business, accounting for approximately 23% of the total investment. As at the end of 2023, the size of green leasing assets was approximately RMB23.7 billion. We vigorously promoted business investment in the digital economy field, and invested approximately RMB3.1 billion in the digital economy business, accounting for over 5% of the total investment. As at the end of 2023, the size of digital economy assets was approximately RMB5 billion.

Focusing on providing leasing services, we assist the business development of customers at an early stage under the business philosophy of "leasing + investment + investment banking". We provide customers with comprehensive industrial solutions that integrate resource mobilization, industrial collaboration, and asset exit, catering to different industries and customers' links such as order introduction, product design, marketing reshaping and finance optimization. We have built distinct industrial ecosystems covering advanced manufacturing, green travel, new energy, energy conservation and environmental protection, IDC/computing power, digital and smart logistics, and small and micro enterprises, empowering partners with investment banking DNA and industrial thinking to drive long-term growth.

In 2023, we strengthened the basis for establishing an advanced manufacturing industry ecosystem by aiding China's manufacturing industry in its transformation and upgrading through diversified financing products and comprehensive financial solutions. We attended the 23rd China International Industry Fair and were selected as one of the first batch of member units of the Shanghai Intelligent Manufacturing Industrial and Financial Ecological Consortium as the only financial leasing company. We actively practice the concept of green travel and fully capitalize on the ecological benefits of green logistics by constantly developing a green travel and intelligent logistics industrial ecosystem. We have established strategic cooperation with various automotive manufacturers, and successively introduced customized models of co-branded vehicles to maintain our leading position in the shared travel market and boost the development of green travel business. We also established the "state grid engineering support fleet" for the Chengdu Universiade, as well as a supply and delivery new energy fleet to support the Hangzhou Asian Games. Our first batch of new energy unmanned mining trucks has been officially put into service, ushering open-pit mining into a new era of green transformation and intelligent development. We promoted automotive manufacturers, financial leasing companies and travel service providers to expand industrial cooperation, and collaborated with BAIC to launch the "City Partner Program". Guided by the goal of establishing an economic system of green, low-carbon, and circular development, we delve deeply into new energy, energy conservation and environmental protection, IDC/computing power, and other industrial chains to identify suitable leasing business opportunities and contribute to the government strategy of "emission peak and carbon neutrality". We successfully held a seminar in respect of economic development of "emission peak and carbon neutrality", expanding transformation and collaboration with core customers, suppliers, business partners and end users. We hosted a computing power ecosystem conference, at which we collaborated with leading computing power companies from across China to analyze the core technologies, explore computing power development prospects, and officially launched a computing power ecological alliance. We are firmly committed to serving the real economy by leveraging financial technology to help small and micro enterprises build industrial ecosystems, thereby boosting the quality and efficiency of inclusive finance. We promote direct leasing to assist the steady growth of medium-, small- and micro-sized enterprises.

In 2023, we pioneered the first single maximum revolving leasing product in the industry, earning the Third Prize of Shanghai Financial Innovation Achievements awarded by the Shanghai Municipal People's Government. We attended the 2023 Forbes China Financial Leasing Summit, and received the "2022 Forbes China Top 50 Financial Leasing Institutions" and "2022 Forbes China Financial Leasing Best ESG Practice Case" awards issued by Forbes China. With our leading role in the development of the new energy transportation and logistics industry and excellent financing services provided to customers, we have won multiple honors, including the "2023 Green Heavy Truck Annual Excellent Financial Service Provider Award", the "2023 Green Heavy Truck Annual Most Valuable Brand Award", and the "2023 Beijing Automotive Travel Industry Core Partner Golden Award".

EXPANDING RESEARCH ON LOCAL INDUSTRY STRATEGIES TO EXPAND REGIONAL FOOTPRINT

Based in Shanghai to serve the entire country, the Group increased the strategic depth of branches, effectively leveraged the advantages of local resources, focused on local industry research, and improved the industrial transformation of branches to develop core capabilities for regional industrial business. We continued to push forward the reform of branches, optimized the management standards for branches of various categories and levels, updated the joint office management mechanism, and increased resource allocation and utilization efficiency. In 2023, we established three additional branches in Shanxi, Xinjiang and Hebei, with a total of 21 branches. Our regional footprint was further improved.

We closely followed the government strategy of coordinated regional development and continued increasing resource investment in the five key regions of the Yangtze River Delta, the Greater Bay Area, Beijing-Tianjin-Hebei, Sichuan-Chongqing-Shaanxi, and Central China. In 2023, we focused on the planning for significant interconnected port projects and successfully assisted in the construction of a port that has the unique advantages of sea rail intermodal transportation in China. We helped organize the "Lease-Investment Linkage — Financial Empowerment" conference in collaboration with the Shanghai Financial Leasing Industry Association and other organizations to promote the high-quality development of the Yangtze River Delta G60 Science and Technology Corridor, and carried out lease-investment linkage practices by leveraging the advantages of financial leasing in "financing with capital + goods" to facilitate the effective integration of comprehensive financial resources with business entities and inject diverse financial power into the integrated development of the Yangtze River Delta.

PROMOTING THE COMPREHENSIVE EMPOWERMENT BY FINANCIAL TECHNOLOGY TO EXPEDITE DIGITAL TRANSFORMATION

The Group focuses on enhancing the digitization of the entire business process and continues to improve the IoT platform and AI computing power platform, which, combined with financial technology, fully empower the Company's development to improve quality, reduce costs and increase efficiency. We have enhanced our system's independent research and development capabilities, and we use digital technology to fully empower the entire business process, including business introduction, project due diligence, credit review, contract signing, capital investment, post-lease operation, asset management, and other business processes, ensuring the Company's comprehensive and efficient growth. In 2023, we continued to optimize our online customer acquisition mini-program to realize accurate push to potential customers by industry and region, and launched a high-end subscription mini-program supporting the registration for vehicle rental intentions of customers and provided online tools for the new business model of selling through leasing. A video due diligence mini-program was utilized to realize remote real name authentication, due diligence interview and asset inspections. We improved intelligent risk control and have completed the verification and launch of risk control models for multiple products. We have increased the utilisation of electronic signing platforms to facilitate online signing in various pre-lease and post-lease scenarios, and expanded the range of electronic signing applications. We ran a trial operation of the finance middle office to track the full cycle of business and finance data. We introduced the mobile equipment monitoring wristband to enable asset monitoring and early warning to improve leased asset management and risk control. In 2023, we co-hosted the "How Digital Technology Helps Financial Security and Development" seminar with the Lujiazui Financial Security Institute to discuss the use of financial technology tools to promote safe, sound, and sustainable business growth, as well as to explore opportunities for deeper and broader collaboration.

STRENGTHENING CORPORATE SOCIAL RESPONSIBILITY TO EXPLORE SUSTAINABLE DEVELOPMENT

The Group actively fulfils its corporate social responsibility and continues to improve its ESG management level, in an effort to realize the sustainable combination of economic benefit and social value. We insist on providing leasing services to serve the real economy through technological empowerment and promote the development of green leasing, public service facilities, advanced manufacturing, inclusive finance and other areas. We strengthened the volunteer team building and organized regular public welfare and volunteer activities. In 2023, we organized and participated in public welfare activities including the volunteer service for the 6th China International Import Expo, the "First Greetings in 2023" at the Shanghai Youth Development Foundation and the "South Bund Financial Express" at Xiaodongmen Street, made donations to Denggala Village Primary School in Menglian County, Yunnan Province and the Shanghai Wildlife Conservation Association, etc. and actively mobilized and organized 1,504 people to donate to the "Haitong • Love & Health" public welfare project, promoting a healthier China. The Youth Team of the Youth League Branch from our MSE Subsidiary competed in the "Struggle Cup" Shanghai Youth Financial Business Innovation Competition, winning second place in the "Finance Serving Real Economy" themed competition. With our outstanding performance in serving the real economy, we received the "Leading Enterprise in Serving the Real Economy" award issued by the 2023 (10th) Global Leasing Industry Competitiveness Forum & Annual Summit.

We have reached a consensus on sustainable development. With "Long-lasting Mutual Trust Brings Together the Future" (恆久互信，融聚未來) as our sustainable development concept, we strive to create value with all important stakeholders through collaboration. After conducting a comprehensive evaluation of the environmental, social, and governance risks and opportunities associated with our business, and considering input from both internal and external stakeholders as well as discussions with the management, we have depicted the Haitong Unitrust Sustainable Development Plan 2023–2026, providing a blueprint for our sustainable development. The plan sets out the three pillars of sustainable development, namely "Long-lasting: sustainable business", "Harmony: stable operation" and "Trust: responsible citizen", and identifies nine key areas, namely green finance, climate change mitigation and adaptation, inclusive finance, financial technology, rural revitalization and community public welfare, human capital development, ESG risk management, corporate governance, and compliant operations, and sets out action goals for each area. The concept of sustainable development has been integrated into the development strategy of the Group and implemented in day-to-day operations.

OPTIMIZING LIABILITY STRUCTURE TO REDUCE FINANCING COSTS AND PROMOTE INDUSTRIAL TRANSFORMATION

The Group's liquidity remained stable. We proceeded to deepen collaboration with banks and other financial institutions and improve our credit conditions. Our financing costs continued to decrease. As at December 31, 2023, we had established credit cooperation relationships with 73 financial institutions and obtained accumulative credit lines of approximately RMB116.5 billion, of which the unused credit balance was approximately RMB59.5 billion. The balance of direct financing accounted for 49%, mainly including financing instruments such as ultra-short-term financing bonds, short-term financing bonds, medium-term notes, corporate bonds, asset-backed securities and asset-backed notes. The balance of indirect financing accounted for 51%, mainly including financing products such as syndicated loans, bank working capital loans, and bank acceptance bills. The Group has a reasonable direct and indirect financing ratio and a stable financing structure, leading to lower financing costs. The average cost of interest-bearing liabilities in 2023 was 3.63%, representing a decrease of 0.10 percentage points as compared with last year.

In 2023, we closely monitored the developments in the financial market and timely seized the opportunities in the capital market by successfully issuing credit bonds and asset securitization products with a total size of approximately RMB39.5 billion, including 20 credit bonds with an issuance size of approximately RMB19.3 billion and 20 asset securitization products with an issuance size of approximately RMB20.2 billion. We issued China's first "green assets + low-carbon transformation linked" asset-backed securities, taking practical actions to help achieve the "emission peak and carbon neutrality" target and sustainable development. We issued the first "digital economy" technological innovation corporate bonds in the industry to provide targeted support for the development of digital economy business, the first "Yangtze River Economic Belt" asset-backed securities in the industry to assist in the transformation and upgrading of industries in the Yangtze River Economic Belt, and several asset securitization products with the industrial characteristics of Haitong Unitrust including "Technological innovation" and "Advanced manufacturing". Using the benefits of combining industry and finance, we capitalized on our resource advantages in advanced manufacturing, green leasing, digital economy, and other fields, earning various market recognition. We were named "Outstanding Initiator of Asset Securitization Business" and "Outstanding Initiator of Innovative Asset Securitization Business" by the Shanghai Stock Exchange. We received awards including the "Annual Best Exchange Financing Innovation Award", the "Annual Best Dealer Association Financing Innovation Award" and the "Annual Best ESG Financing Award" at the Golden Spring Awards, an annual financing innovation award issued by the Shanghai Financial Leasing Industry Association. We won the "Most Popular Original Equity Owner Award", the "Most Influential Product in the Industry Award" and the "Best Green Financial Product Award" at the 8th CNABS China Asset Securitization Annual Awards & Golden Laurel Awards.

CONSOLIDATING THE ACCOMPLISHMENTS IN RISK AND COMPLIANCE MANAGEMENT TO SUPPORT HIGH-QUALITY DEVELOPMENT

The Group continued to develop its comprehensive risk management mechanism based on its prudent risk management philosophy. 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 and embed various risk management measures throughout its business operations. Efforts were made to improve the soundness of its management system and organizational structure, the reliability of its information system, the professionalism of its talent team, the effectiveness of its risk response mechanism and the diversity of the risk management culture. These efforts ensured the asset safety of the Company and the predictability, controllability and acceptability of its overall risks. In 2023, we revised our comprehensive risk management measures, refined our risk pricing and expected credit loss models, and realized automatic system control functions such as early warning reminders and limit blocking, which further improved our ESG management tools and system and enhanced the ESG management of the Company. We strengthened the in-depth integration of data analysis, IoT and asset management system and actively explored the technology empowerment. We expanded IoT applications such as the mobile equipment monitoring wristband and IDC wristband monitoring to improve real-time monitoring and proactive management capabilities of leased assets. Our risk prevention and asset disposal capabilities have been enhanced through managing asset allocation, bolstering asset monitoring and inspection, expanding diversified asset disposal methods, and boosting asset disposal efforts. During the reporting period, the asset quality of the Group remained stable in general. The NPA ratio was 1.12% as at the end of the year. All asset quality indicators remained at a safe and manageable level, suggesting high risk resistance. The allowance coverage ratio for NPAs as at the end of the year was 265.82%.

We continued to adhere to our 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" and strictly followed the bottom line of operations in compliance. We have increased compliance management by improving the institutional system, institutional regulations, and institutional implementation oversight, as well as increasing compliance governance capacity and awareness among all employees. Through measures such as compliance review, compliance inspections and compliance assessment, the implementation of various systems was monitored and the principle of managing employees and matters in line with the systems was established. We also continued to pay close attention to the changes in regulatory policies on the financial leasing industry, proactively took measures to comply with regulatory requirements, and optimized the system management mechanism to improve the integration of business and policies. In 2023, we fully implemented the work requirements of the "Year of Consolidating the Culture of Internal Control on Compliance", held compliance management personnel meetings, and further consolidated the achievements of compliance and internal control culture construction activities to support the high-quality development of the Company. We have received the "2023 Kaimao Compliance Culture Construction Award" (2023開茅合規文化建設獎) jointly issued by China Centre for Anti-Money Laundering Studies Fudan University, the Lujiazui Financial Security Institute, etc. for our contributions to the development of a compliance and internal control culture. This award is the highest honor established by a domestic think tank-style independent third party in the field of financial security and anti-money laundering, and Haitong Unitrust is the only unit in the financial leasing industry to receive this award in 2023.

3. OPERATION OUTLOOK

Looking ahead to 2024, geopolitical tensions are restraining global economic growth, and external risks are accumulating. With increasing uncertainty in international financial markets, the path to global economic recovery is lengthy and difficult. China's external environment remains complex and challenging, with weak domestic demand and low public expectations. However, China's economy has shown a trend of moderate recovery, and the opportunities it faces outweigh the challenges. The fundamentals of China's economy, being strong resilience, great potential and full of vitality, have not changed. Its advantages such as institutions, markets and industrial systems continue to be consolidated, providing solid support for its high-quality development. Expansionary fiscal policies will be moderately strengthened to boost quality and efficiency and expedite the development of new quality productive forces, which will become a significant driving force behind economic transformation and upgrading and the enhancement of economic vitality.

In 2024, the Group will fully implement our development strategy, closely follow the guidance of China's industrial policies, seize the opportunities coming from the upgrading of traditional industries, the development of the digital economy and green transformation. We will insist on providing leasing services, strengthen the construction of industrial ecosystem and accelerate the application of financial technology tools in order to effectively enhance asset quality and support the development of digital intelligence. We will continue to maintain our leading position and competitive strengths through the following strategies to promote professional, high-quality and sustainable development of the Group.

GATHERING THE JOINT EFFORTS OF "ONE HAITONG" GROUP TO PROMOTE WIN-WIN DEVELOPMENT AMONG INDUSTRY PARTNERS

The Group will embrace the concept of "One Haitong" and practice the spirit of "One Haitong Unitrust" by collaborating with all Haitong Securities entities to support the building of a new pattern of win-win cooperation for all parties in the industry. We will gather expertise in finance and capital markets to promote resource integration and collaborative innovation, provide more competitive financial solutions for upstream and downstream enterprises in the industry chain, and collaborate with industry partners to create a more open and prosperous industrial ecosystem. We will actively conduct comprehensive joint marketing activities with Haitong Securities and its various branches and units, build a collaborative business exchange platform for customer services, and further strengthen the marketing capabilities and customer service capabilities of our comprehensive financial service products of "Leasing + Investment Banking + Investment", in order to increase the service value of Haitong's customers along the entire industry chain.

Based on the perspective of investment banking, we will continue our in-depth research on the industrial policies and development trend during the "14th Five-Year Plan" period, and closely follow government objectives of "emission peak and carbon neutrality", low-carbon transformation of the energy structure, industrial restructuring and upgrading. We will focus on developing businesses related to green and low-carbon leasing, technological innovation and digital transformation. By leveraging the extensive customer coverage and the resource integration capability of the investment banking system of Haitong Securities, we will enhance the establishment of an industrial ecosystem that strengthens the connection with parties along the industry chain. At the same time, we will explore new business opportunities under new industrial policies, create innovative business models in compliance with regulations, develop specialized financial leasing services, and generate new driving forces for business growth. With a focus on supporting the real economy, we will continue to conduct in-depth studies on the industries to explore market needs, striving to increase the proportion of direct leasing business. We seek to achieve mutual empowerment and growth with our customers and industry partners.

IMPLEMENTING THE "ONE BIG AND ONE SMALL" CUSTOMER STRATEGY TO PROVIDE DIVERSIFIED AND COMPREHENSIVE FINANCIAL SERVICES

The Group will continue to implement the "One Big and One Small" customer development strategy and insist on the provision of leasing services. We will form a service model centered on leased assets and provide diverse and integrated financial services for LMEs, MSEs and retail customers. As such, we will be able to maintain a balanced growth in terms of scale and profit and effectively diversify credit risk.

In respect of large-sized enterprise customers and major projects, we will grasp the opportunities arising from the industrial upgrade, the "14th Five-Year Plan" and green transformation and development, and put more efforts into projects that are encouraged by government policies and favored by the capital market. We will continue to closely monitor the developments in strategic emerging sectors such as advanced manufacturing, green leasing and digital economy, increase our investment in strategic emerging sectors to facilitate the industrial modernization of China, and explore innovative business models and new leasing opportunities. We will promote high-end, intelligent and green development of the manufacturing industry. Meanwhile, we will accelerate the development of the ecosystem that integrates industry and finance, fully capitalize on the benefits of integration, and promote strategic collaboration with our industrial ecosystem partners. In response to the objectives of "emission peak and carbon neutrality" of the government, we will increase business investment in green and low-carbon areas, providing support to the long-term development of green and environmental protection enterprises. We will explore market opportunities in modern agriculture, accelerate the digital and intelligent development of agriculture and facilitate the construction of a modern agricultural industrial system to support rural revitalization. We will establish partnership with digital computing power, energy conservation and environmental protection enterprises to jointly become an incubator of high-quality assets and support the high-quality development of the real economy.

In respect of the MSEs & retail customers, we will leverage our advantages of "financing with capital + goods". In response to the government policy to support the medium-, small- and micro-sized enterprises and real economy, we will actively promote the acquisition of customers from niche industries and identify high-quality medium-, small- and micro-sized enterprises that have strong competitiveness. We will conduct research and development of innovative products, and establish an ecosystem to provide the medium-, small- and micro-sized enterprises and the upstream and downstream businesses of equipment manufacturers with financial services, in order to support their further growth. In addition, by meeting the changing needs of customers in the era of digitalization, we plan to refine our digital financial services through the use of financial technology and digitization and accelerate the standardization process of small-amount products to enhance the service quality of inclusive finance.

ENHANCING MARKETING NETWORK BY "ONE BODY, TWO WINGS" BUSINESS DEVELOPMENT MODEL TO FACILITATE REGIONAL COLLABORATION WITH LOCAL CHARACTERISTICS

The Group will continue to adhere to the purpose of "serving the local economy, serving business enterprises, and serving regional characteristics", further improve our marketing network by "One Body, Two Wings" business development model, strengthen the collaboration among our business headquarters, branches and subsidiaries, develop business in industries with regional characteristics and accelerate the regional business expansion so as to support the development of regional economy. We will continue to strengthen the cross-industry and cross-region collaboration, and further integrate our products, channels and customer resources to capitalize on the synergy of the "Two Wings" model, so as to support the long-term business growth and breakthroughs of the Group.

Our business headquarters will focus on the development and incubation of ecosystem. We will continue to study the trends and logics of industrial financing, expand the business development of strategic emerging sectors such as advanced manufacturing, green leasing and digital economy, and actively explore suitable leasing opportunities. We will also increase business investments in green leasing such as new energy, sewage treatment, solid waste treatment and sanitation integration, accelerate the business development in the "Eastern Data and Western Computing" related industry chain, and actively provide comprehensive financial services to customers in fields such as computing power, artificial intelligence, and data centers. We will strengthen the exchange and cooperation with other leasing companies and business partners to achieve mutual growth and win-win situation.

We will steadily implement the local branch strategy, expand the nationwide marketing network, and further optimize the division of management in branches to strengthen the strategic positioning of branches in the regional markets. We will explore the upstream and downstream opportunities of the regional characteristic industrial chain, optimize the study of regional industrial policies, develop core competitiveness of regional industries to drive regional economic growth, and establish a local leasing benchmark. We will update the joint offices mechanism, optimize joint offices space, prioritize the development of local talents, and strengthen regional strategic coordination, in order to consolidate the foundation for the integrated business development of the Group.

Our subsidiaries will actively abide by the national policy of inclusive finance and continue to consolidate the advantages of local resources with focus on our primary leasing business to support the recovery and development of the real economy. MSE Subsidiary will follow the vision of "focusing on industrial ecosystem and supporting MSEs" and respond to China's call for improving the quality and efficiency of financial services for serving the real economy, with a focus on advanced manufacturing, engineering machinery, healthcare, people's livelihood consumption, and inclusive business. We will integrate ourselves into customers' procurement, production and sale links through stronger head-to-head strategic cooperation with major enterprises along the industry chains, further launch upgraded characteristic products, and provide multi-scenario financing services for customers to comprehensively enhance the overall value of the industry chain. With the characteristics of wide coverage, deep reach, flexible mechanism, innovative models and high efficiency, we will build a service system with over a thousand suppliers covering advanced manufacturing, healthcare, engineering machinery and other industries, and activating new driving forces for the development of MSEs. UniFortune Subsidiary will actively respond to the strategic objectives of "emission peak and carbon neutrality" of the government, adapt to the expansion of the new energy industries, and leverage resource advantages of transportation and logistics to strengthen its presence in green travel areas including the photovoltaic, energy storage, charging piles, and battery swap scenarios. With our extensive industry experience, comprehensive ecological chain resources, high-quality market channels, and extensive service network, we will establish long-term partnerships with major domestic manufacturers, shared travel and freight traffic platforms, and high-quality logistics enterprises, etc., striving to create a new ecological business network that covers various industrial chains in the field of transportation and logistics.

CONTINUOUSLY IMPROVING THE COMPREHENSIVE RISK MANAGEMENT TO ENHANCE THE COMPLIANCE LEVEL OF THE GROUP

The Group will continue to accurately identify, prudently assess, dynamically monitor and timely respond to the risks faced by the Company in its daily operations by improving the comprehensive risk management system, increasing the application of financial technology tools, optimizing the risk management model and enhancing the quantitative risk management capability. We will improve the asset allocation plan, strengthen the tracking and analysis of asset quality in each segment, fine-tune asset allocation and industrial transformation outcomes, and secure the Company's long-term and healthy business development. Practical and effective risk management systems and processes will be established to continuously improve our comprehensive, full-staff, and full-process proactive risk management capabilities. We will standardize asset inspection and review process, and apply technologies in asset management to improve the IoT monitoring system and strengthen our risk prevention and mitigation capabilities. We will also strictly stick to our bottom line for risk control to ensure the safety of assets.

We will strictly adhere to the bottom line of compliance operation, continue to enhance the compliance awareness of all employees, further clarify the responsibilities of the Risk Management Committee of the Board of Directors, the Risk Management Department, the Compliance Department, the Credit Review & Approval Department, the Commerce Department, the Audit Department, the Disciplinary Inspection Office and other relevant departments to implement synchronized management of key processes in our risk management practices. We will pay close attention to the changes in regulatory environment, strictly implement industry regulatory policies, and promote the implementation of various compliance culture and internal systems according to the spirit of the "Year of Consolidating the Culture of Internal Control on Compliance" initiative. We will further improve our subsidiary management system, promote effective linkage between subsidiary management, corporate governance, and compliance management, in order to promote overall compliance control.

IMPROVING THE EFFICIENCY OF ASSET AND LIABILITY ALLOCATION, STICKING TO THE BOTTOM LINE OF LIQUIDITY RISK

Based on the existing asset and liability allocation management system, the Group will further improve the construction of the asset and liability system, and further optimize the funds transfer pricing model to direct business funds towards industrial transformation in line with the Company's strategy. We will further expand financing channels, advance finance tool and model innovation, consistently promote credit condition optimization and channel reserve, and properly control financing costs to improve the efficiency of asset and liability allocation. We will leverage financial technology to empower fund management and improve the automation and intelligence level of asset and liability allocation, financing matters, fund settlement and liquidity risk management. Under the comprehensive risk management system, we will make full use of liquidity risk management and asset-liability duration gap monitoring indicators. We will strengthen our ability to actively manage liquidity risk through various tools such as stress tests and sensitivity analysis as well as financial technology. We will always adhere to the bottom line of liquidity risk and ensure that our capital operations meet safety, liquidity and profitability requirements.

ACCELERATING THE IMPLEMENTATION OF FINANCIAL TECHNOLOGY STRATEGY TO PROMOTE THE PROCESS OF DIGITAL AND INTELLIGENT DEVELOPMENT

The Group aims to expedite the use of financial technology, in order to support business development through technology and consistently improve the efficiency and quality of its operations and management. We will further extend the functions of our online customer acquisition system to achieve full-process online management of approval, entry, assignment and tracking, and add mobile approval scenarios for core business processes to boost mobility. We will steadily push forward the launch of our big operation platform, business middle office and finance middle office, strengthen the refined management of functional departments, further optimize the building of risk control models and explore the improvement of new business scenarios covered. We will further improve the accuracy of monitoring, early warning, and tracking of IoT devices using the monitoring data from new scenarios of IoT access services, facilitate the network security infrastructure construction and enhance data security governance capabilities.

At the same time, we will strengthen the construction of digital technology system under the development path of "informatization — digitization — intellectualization" and continuously promote the upgrading of the Company's digital level. We will actively push AI-enabled business development, gradually implement AI pilot projects, and use AI to produce a set of AI applications tailored to Haitong Unitrust, using industry and business data as the basis, computing power as the foundation, and algorithms as the guidance. With the accelerated integration of AI and finance, Haitong Unitrust's computing power platform will be committed to providing more inclusive AI computing power solutions to assist in various scenarios that enhance financial value, such as intelligent marketing, intelligent approval, intelligent recognition, intelligent decision-making, intelligent risk control and intelligent customer service, which will further accelerate the process of technological development from digitalization to digital intelligence and leverage the power of technology to safeguard the long-term and sustainable development of the Company.

EMPOWERING TALENT TEAM BUILDING WITH BRAND TO BUILD AN INDUSTRY TALENT POOL

Our experienced and visionary management team and advanced talent management system are important competitive advantages which ensure the Group's continual growth and leading position in the PRC financial leasing industry. We will implement talent management in compliance with the principles of the Party and designate the primary responsible body of talent team construction. Structure of the talent teams will be enhanced with equal emphasis on quality and scale, and a comprehensive talent training system will be established to support the development of the Company. Both incentives and constraints will be implemented to motivate the vitality of talents. We will diversify recruitment channels, create an independent training model that combines talent recruitment and talent training, and build the brand of Haitong Unitrust Lecture Hall to support the rapid growth of young and reserve talents. We will establish an industrial talent training system and step up efforts to introduce and train talents, guided by the business-end industrial transformation direction and marketing strategy. Following the three-step plan of "building structure, establishing team, and training", we will continue to promote the cultivation and development of internal professional talents, carry out industry research training such as "Research in the Right Way" and "Industrial Research and Exchange" to build an adequate talent pool for the Company's industrial transformation.

We will continue to implement the three-pillar management mechanism and HRBP model for human resources to provide better support for our business development. We will focus on improving motivation, stimulating vitality and increasing efficiency, optimizing incentive mechanisms and smoothing development paths, in order to attract, retain and motivate top talents in the industry to join the Company, which in turn will enhance talent cohesion. We will implement a market-oriented position system and promotion mechanism. Efforts will be made to establish a career growth platform and a reasonable career development path. We will also optimize long-term performance assessment and remuneration incentive system, develop a talent objective and responsibility assessment mechanism, establish a talent fund and carry out talent review. These initiatives will allow our employees to advance their careers and benefit from the Company's long-term development, as well as provide them with a variety of benefits, improve employees' sense of accomplishment and fulfilment, and boost organizational efficiency.

4. ANALYSIS OF CONSOLIDATED STATEMENT OF PROFIT OR LOSS

4.1 OVERVIEW OF CONSOLIDATED STATEMENT OF PROFIT OR LOSS

In 2023, the Group realized a total revenue of RMB8,411.7 million, representing a decrease of 1.3% as compared with RMB8,524.6 million last year, and realized a profit for the year of RMB1,607.5 million, representing an increase of 4.9% as compared with RMB1,532.9 million last year.

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

	For the year ended December 31,		
	2023	2022	Changes
	(RMB in millions)		
Total revenue	**8,411.7**	8,524.6	(1.3%)
Net investment losses	**(81.5)**	(59.8)	N/A
Other income, gains or losses	**618.5**	437.3	41.4%
Loss from derecognition of financial assets measured at amortised cost	**(35.7)**	(40.1)	N/A
Total revenue and other income, gains or losses	**8,913.0**	8,862.0	0.6%
Depreciation and amortisation	**(385.8)**	(369.8)	4.3%
Staff costs	**(803.6)**	(854.3)	(5.9%)
Interest expenses	**(3,636.1)**	(3,541.9)	2.7%
Other operating expenses	**(389.9)**	(388.8)	0.3%
Impairment losses under expected credit loss model	**(1,520.9)**	(1,591.9)	(4.5%)
Other impairment losses	**(24.5)**	(59.1)	(58.5%)
Total expenses	**(6,760.8)**	(6,805.8)	(0.7%)
Profit before income tax	**2,152.2**	2,056.2	4.7%
Income tax expense	**(544.7)**	(523.3)	4.1%
Profit for the year	**1,607.5**	1,532.9	4.9%
Earnings per share attributable to ordinary shareholders of the Company (RMB yuan/share)			
— Basic	**0.18**	0.17	
— Diluted	**N/A**	N/A	

4.2 REVENUE

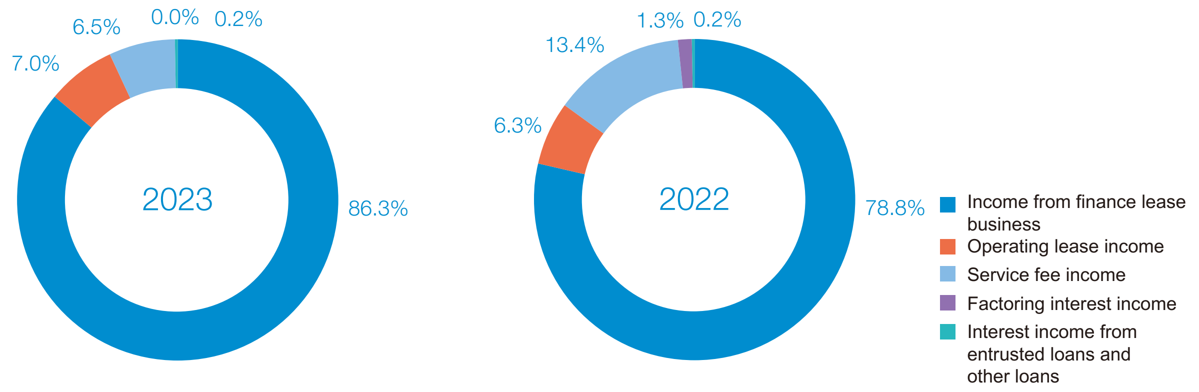
In 2023, the Group realized a total revenue of RMB8,411.7 million, representing a decrease of 1.3% as compared with RMB8,524.6 million last year, mainly due to the decrease in service fee income of the Group as compared with last year, and the increase in the income from finance lease business and operating lease income as compared with last year.

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

	For the year ended December 31,				
	2023	**% of total**	2022	% of total	Changes
	(RMB in millions, except percentages)				
Income from finance lease business [Note]	**7,263.3**	**86.3%**	6,711.1	78.8%	8.2%
Operating lease income	**590.3**	**7.0%**	540.1	6.3%	9.3%
Service fee income	**544.7**	**6.5%**	1,142.4	13.4%	(52.3%)
Factoring interest income	**—**	**—**	111.2	1.3%	(100.0%)
Interest income from entrusted loans and other loans	**13.4**	**0.2%**	19.8	0.2%	(32.3%)
Total revenue	**8,411.7**	**100.0%**	8,524.6	100.0%	(1.3%)

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

Breakdown of percentage of total revenue



In 2023, income from finance lease business and operating lease income of the Group both increased. Service fee income decreased, which was mainly due to the decrease in customers' demand for advisory services. Interest income from entrusted loans and other loans decreased, which was mainly because the Company did not make new investments in such business.

CUSTOMER ANALYSIS

We have a broad customer base. Our customers include LME customers, MSEs (Note) & retail customers.

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

	For the year ended December 31,					
	2023			2022		
	Average present value of interest-earning assets(1)	Interest income(2)	Average yield(3)	Average present value of interest-earning assets(1)	Interest income(2)	Average yield(3)
	(RMB in millions, except percentages)					
LME customers	86,825.6	5,708.9	6.58%	74,492.3	4,726.3	6.34%
MSEs & retail customers	19,292.1	1,567.8	8.13%	26,034.4	2,115.8	8.13%
Total	106,117.7	7,276.7	6.86%	100,526.7	6,842.1	6.81%

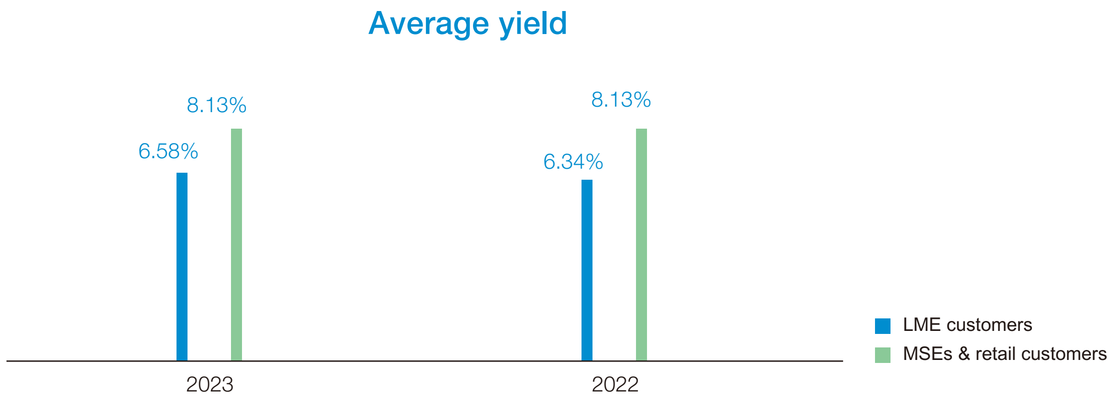
(1) Represents the average balance before deduction of allowances for impairment losses of receivables from finance lease business, as well as entrusted loans and other loans at the end of last year and the middle and the end of the year (average present value of interest-earning assets in the comparison period included factoring receivables).

(2) Consists of income from finance lease business and interest income from entrusted loans and other loans for the specific types of customers (interest income in the comparison period included factoring interest income).

(3) Calculated by dividing the sum of income from finance lease business and interest income from entrusted loans and other loans by the average present value of our interest-earning assets (interest income and average present value of interest assets in the comparison period included factoring interest income and factoring receivables).

Note: The MSEs customers of the Group 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 National Financial Regulatory Administration (previously known as the CBIRC) (single credit of no more than RMB10 million (inclusive)).

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

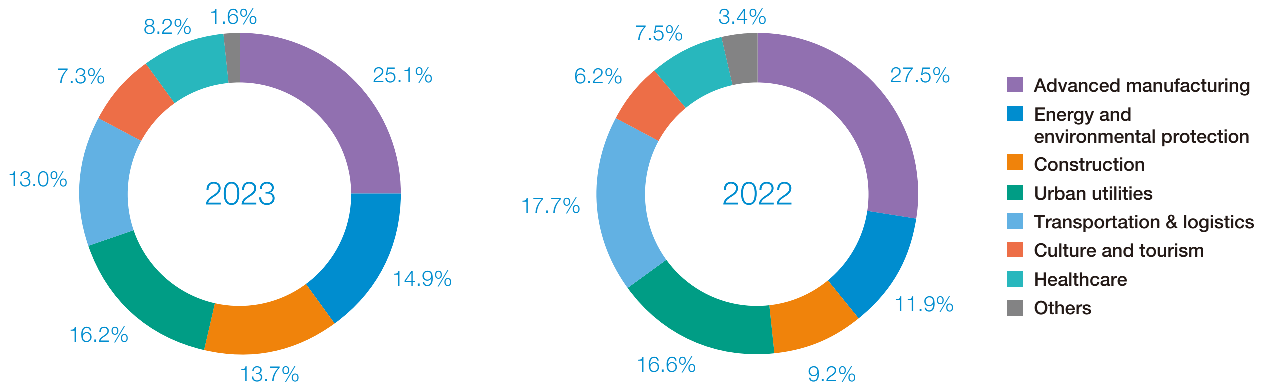


In 2023, the average yield of the Group was 6.86%, representing a slight increase from 6.81% last year, mainly because the Group continued to optimize the allocation of assets and liabilities, and maintained balanced development of and stable income from various business segments.

INCOME FROM FINANCE LEASE BUSINESS

Income from finance lease business of the Group increased by 8.2% to RMB7,263.3 million in 2023 as compared with last year. Income from finance lease business accounted for 86.3% of the total revenue of the Group. The Group actively adapted to the new situation of economic development, insisted on serving the real economy, deeply cultivated the localized sectors, further optimized the structure of asset investment, and increased the investment in industries such as construction, energy and environmental protection. In 2023, our income from industries such as construction, energy and environmental protection had grown steadily, with year-on-year increases of 60.2% and 34.9%, respectively.

Income from finance lease business by industry



OPERATING LEASE INCOME

Our operating lease income increased by 9.3% to RMB590.3 million in 2023 as compared with last year. The net lease yield of the aircraft operating lease business of the Group was 7.68%.

As at December 31, 2023, the Group owned 17 aircraft (including seven Airbus narrow-body aircraft, two Airbus wide-body aircraft and eight Boeing narrow-body aircraft) with a total net carrying amount of approximately US$728.0 million (equivalent to approximately RMB5,156.6 million). In addition, as at December 31, 2023, the Group undertook to purchase one aircraft with an estimated market value of approximately US$38.05 million. In 2023, 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	1	9
Total	17	1	18

SERVICE FEE INCOME

We provide various advisory services to customers. The Group realized service fee income of RMB544.7 million in 2023, representing a decrease of 52.3% as compared with last year, mainly due to the decrease in the customer demand for advisory services. Our service fee income was mainly generated from advanced manufacturing, construction, energy and environmental protection, transportation & logistics, culture and tourism, and healthcare.

INTEREST INCOME FROM ENTRUSTED LOANS AND OTHER LOANS

Our interest income from entrusted loans and other loans decreased by 32.3% to RMB13.4 million in 2023 as compared with last year. The decrease was mainly because the Group did not enter into new entrusted loans and other loans business.

OTHER INCOME, GAINS OR LOSSES

In 2023, other income, gains or losses of the Group increased by 41.4% to RMB618.5 million as compared with last year. The increase was mainly due to the increase in government subsidies and others.

4.3 EXPENSES

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

	For the year ended December 31,		
	2023	2022	Changes
	(RMB in millions)		
Depreciation and amortisation	**385.8**	369.8	4.3%
Staff costs	**803.6**	854.3	(5.9%)
Interest expenses	**3,636.1**	3,541.9	2.7%
Other operating expenses	**389.9**	388.8	0.3%
Impairment losses under expected credit loss model	**1,520.9**	1,591.9	(4.5%)
Other impairment losses	**24.5**	59.1	(58.5%)
Total expenses	**6,760.8**	6,805.8	(0.7%)

The Group's total expenses in 2023 were RMB6,760.8 million, representing a decrease of RMB45.0 million as compared with RMB6,805.8 million last year.

DEPRECIATION AND AMORTISATION

The depreciation and amortisation of the Group in 2023 was RMB385.8 million, representing an increase of 4.3% as compared with RMB369.8 million last year, which was mainly due to the year-on-year increase in depreciation and amortisation of property and equipment for the year as the Group added new properties and equipment in the second half of 2022.

STAFF COSTS

The staff costs of the Group were RMB803.6 million in 2023, representing a decrease of 5.9% as compared with RMB854.3 million last year.

INTEREST EXPENSES

The interest expenses of the Group increased by 2.7% to RMB3,636.1 million for 2023 from RMB3,541.9 million last year, mainly due to the slight increase in the average balance of interest-bearing liabilities of the Group as compared with last year.

IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL

Impairment losses under expected credit loss model of the Group decreased by 4.5% to RMB1,520.9 million for 2023 from RMB1,591.9 million last year, which was mainly because the Group insisted on providing leasing services and made reasonable adjustments to asset allocation through improved research and analysis of macro-environmental changes and industry developments, which contributed to the further optimized asset structure. Meanwhile, the Group continued to improve its risk warning system and continuously enhanced its proactive risk management capabilities to further consolidate asset quality.

4.4 PROFIT FOR THE YEAR

Profit for the year of the Group increased by 4.9% to RMB1,607.5 million in 2023 from RMB1,532.9 million last year, which was mainly because the Group closely followed the national industrial development strategy and insisted on providing leasing services by continuously optimizing asset structure, resulting in the steady growth of total revenue and other income and gains. In addition, the Group continued to strengthen comprehensive risk management and cost and expense control to reduce costs and boost efficiency, resulting in the decrease in total expenses.

4.5 NET INTEREST MARGIN AND NET INTEREST SPREAD OF INTEREST-EARNING ASSETS

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

	For the year ended December 31,	
	2023	2022
	(RMB in millions, except percentages)	
Interest income (1)	7,276.7	6,842.1
Interest expenses (2)	3,393.0	3,312.7
Net interest income	3,883.7	3,529.4
Average present value of interest-earning assets (3)	106,117.7	100,526.7
Average balance of interest-bearing liabilities (4)	93,383.4	88,826.2
Average yield of interest-earning assets (5)	6.86%	6.81%
Of which: Finance lease business (6)	6.88%	6.85%
Average cost of interest-bearing liabilities (7)	3.63%	3.73%
Net interest spread (8)	3.22%	3.08%
Net interest margin (9)	3.66%	3.51%

(1) Interest income is the sum of income from finance lease business and interest income from entrusted loans and other loans (interest income in the comparison period included factoring 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, entrusted loans and other loans (excluding assets related to other business such as operating leasing business, and interest-earning assets in the comparison period included factoring receivables). Average balances are calculated based on balances before deduction of allowances for impairment losses as at the end of last year and the middle and the end of the year.

(4) Interest-bearing liabilities consist of borrowings, bonds payable, business deposits and notes payable, excluding the interest-bearing liabilities related to other business such as operating leasing business. Average balances are calculated based on balances as at the end of last year and the middle and the end of the year. The balances of borrowings and bonds payable used in such calculation represent the outstanding principal amounts of borrowings and bonds payable.

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

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

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

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

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

In 2023, the Group recorded net interest spread and net interest margin of 3.22% and 3.66%, respectively, representing increases of 0.14 percentage points and 0.15 percentage points as compared with last year, respectively. The increases were mainly because the Group continued to optimize its assets and liabilities allocation, and maintained balanced development of and stable income from various business segments, contributing to an improved average yield of interest-earning assets. Meanwhile, by optimizing the liability structure and consistently guiding high-quality, low-cost funds to support business development, the average cost of interest-bearing liabilities continued to decline while profitability further increased.

5. ANALYSIS OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

5.1 OVERVIEW OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	As at December 31,		
	2023	2022	Changes
	(RMB in millions)		
Non-current assets			
Property and equipment	7,127.7	7,307.2	(2.5%)
Right-of-use assets	33.0	45.6	(27.6%)
Intangible assets	57.3	17.8	221.9%
Receivables from finance lease business (Note)	51,841.2	54,950.4	(5.7%)
Loans and receivables	1.5	5.1	(70.6%)
Financial assets at fair value through profit or loss	24.8	107.4	(76.9%)
Deferred tax assets	1,856.2	1,676.9	10.7%
Other assets	2,715.2	2,778.5	(2.3%)
Total non-current assets	63,656.9	66,888.9	(4.8%)
Current assets			
Receivables from finance lease business (Note)	47,567.7	49,058.0	(3.0%)
Loans and receivables	163.2	343.4	(52.5%)
Other assets	1,127.6	1,186.0	(4.9%)
Accounts receivable	107.0	197.0	(45.7%)
Financial assets held under resale agreements	199.4	—	N/A
Financial assets at fair value through profit or loss	1,105.2	606.0	82.4%
Derivative financial assets	88.3	113.4	(22.1%)
Cash and bank balances	9,335.8	6,121.0	52.5%
Total current assets	59,694.2	57,624.8	3.6%
Total assets	123,351.1	124,513.7	(0.9%)

	As at December 31, 2023	2022	Changes
	(RMB in millions)		
Current liabilities			
Borrowings	23,688.1	25,672.5	(7.7%)
Derivative financial liabilities	5.7	76.2	(92.5%)
Accrued staff costs	314.3	363.4	(13.5%)
Accounts payable	277.0	201.7	37.3%
Bonds payable	23,730.1	23,883.1	(0.6%)
Income tax payable	568.1	679.5	(16.4%)
Other liabilities	5,281.7	6,684.3	(21.0%)
Total current liabilities	53,865.0	57,560.7	(6.4%)
Net current assets	5,829.2	64.1	8,993.9%
Total assets less current liabilities	69,486.1	66,953.0	3.8%
Equity attributable to owners of the Company			
— Ordinary shareholders	16,765.2	16,139.5	3.9%
— Other equity instrument holders	3,430.7	2,642.9	29.8%
Non-controlling interests	49.4	44.3	11.5%
Total equity	20,245.3	18,826.7	7.5%
Non-current liabilities			
Borrowings	22,105.3	23,146.8	(4.5%)
Bonds payable	21,657.7	18,670.2	16.0%
Deferred tax liabilities	13.1	13.4	(2.2%)
Other liabilities	5,464.7	6,295.9	(13.2%)
Total non-current liabilities	49,240.8	48,126.3	2.3%
Total equity and non-current liabilities	69,486.1	66,953.0	3.8%
Net assets per share (RMB yuan/share)	2.04	1.96	

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

5.2 ASSETS

The Group's total assets were RMB123,351.1 million as at December 31, 2023, representing a slight decrease from RMB124,513.7 million as compared with the end of last year. The decrease was mainly because the Group actively controlled business investment in certain industries with accumulated high risks, and the present value of interest-earning assets as at the end of the year decreased from the end of last year.

INTEREST-EARNING ASSETS

Our interest-earning assets include receivables from finance lease business and loans and receivables. As at December 31, 2023, the carrying amount of receivables from finance lease business of the Group was RMB99,408.9 million, representing a decrease of 4.4% from RMB104,008.4 million as at the end of last year. The carrying amount of loans and receivables of the Group was RMB164.7 million, representing a decrease of 52.7% as compared with RMB348.5 million as at the end of last year.

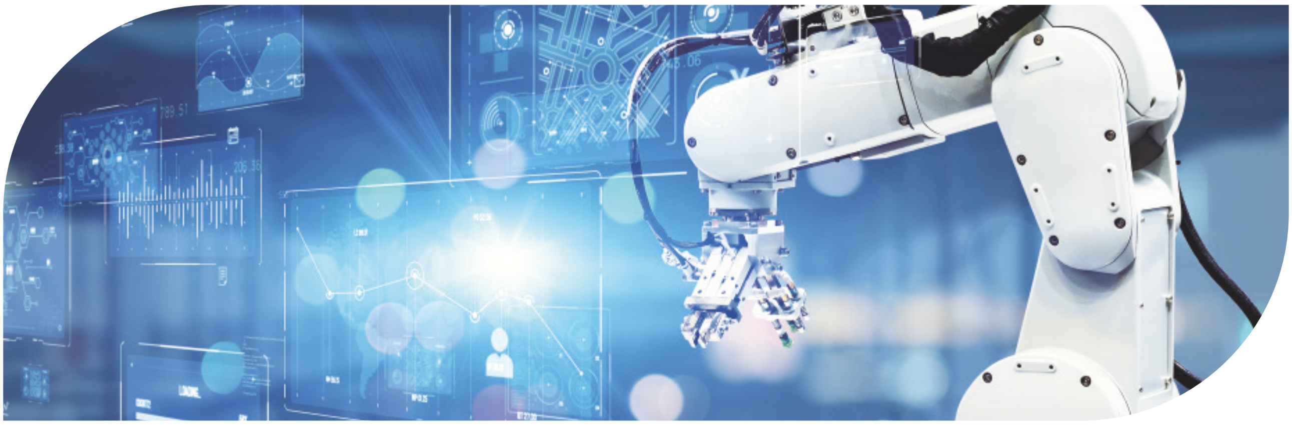
INDUSTRY ANALYSIS

The following table sets forth the present value of interest-earning assets by industry as at the dates indicated:

	As at December 31,			
	2023		2022	
	Present value	% of total	Present value	% of total
	(RMB in millions, except percentages)			
Advanced manufacturing	22,567.5	22.0%	24,612.3	22.9%
Energy and environmental protection	17,758.0	17.3%	16,469.8	15.3%
Construction	16,996.6	16.6%	14,624.5	13.6%
Urban utilities	15,161.5	14.8%	19,963.9	18.6%
Transportation & logistics	12,737.6	12.4%	14,640.0	13.6%
Culture and tourism	7,874.4	7.7%	7,328.6	6.8%
Healthcare	7,513.9	7.3%	7,216.9	6.7%
Others	2,015.3	1.9%	2,439.3	2.5%
Total	102,624.8	100.0%	107,295.3	100.0%

In 2023, the Group continued to optimize the asset allocation by increasing investment in industries such as construction, energy and environmental protection and further strengthening support for high-quality corporate customers.

ADVANCED MANUFACTURING



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 also target manufacturing customers with growth potential, recognized by capital market and encouraged by government policies. Our 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 customer resources, we have gradually built a reciprocal industrial ecosystem to share resources with our partners in order to expand our business scale in emerging manufacturing sectors and improve our competitive strength.

As at December 31, 2023, the present value of interest-earning assets attributable to our business in the advanced manufacturing industry amounted to RMB22,567.5 million, representing a decrease of 8.3% as compared with RMB24,612.3 million as at the end of last year. With favourable national industrial policies, financial institutions strengthen their support to the advanced manufacturing industries, which broaden financing channels for customers and intensified market competition. At the same time, the Group targeted high-quality customers with competitive advantages to promote further optimization of the asset structure.

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, solid waste treatment, environmental governance and comprehensive energy utilization. Such enterprises mostly have comprehensive qualifications, leading technologies and adequate 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 government strategy of "emission peak and carbon neutrality".

As at December 31, 2023, the present value of interest-earning assets attributable to our business in the energy and environmental protection industry amounted to RMB17,758.0 million, representing an increase of 7.8% as compared with RMB16,469.8 million as at the end of last year. The increase was mainly due to the expansion of the Group in the business of new energy, new energy battery manufacturing, sewage disposal and environmental recovery according to the government strategy of "emission peak and carbon neutrality".

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 mostly central and localized state-owned enterprises, which have top-grade or first-grade qualifications for engineering and construction.

As at December 31, 2023, the present value of interest-earning assets attributable to our business in the construction industry amounted to RMB16,996.6 million, representing an increase of 16.2% as compared with RMB14,624.5 million as at the end of last year. The increase was mainly because the Group has enhanced its support for high-quality construction enterprises while strengthening the development of engineering equipment leasing, green building materials leasing and other businesses to build an industrial ecosystem for construction.

URBAN UTILITIES

We provide financial leasing and other services to urban utilities enterprises engaging in the construction and management of smart city, and ports and the construction and operation of water supply infrastructure. We mainly serve urban utilities enterprises which have regional advantages and sound operating performance and are engaged in business related to people's livelihood. Leveraging our extensive experience and quality services, we provide diversified financial solutions for our customers in such sectors.

As at December 31, 2023, the present value of interest-earning assets attributable to our business in the urban utilities industry amounted to RMB15,161.5 million, representing a decrease of 24.1% as compared with RMB19,963.9 million as at the end of last year, mainly because the Group endeavored to promote business transformation, adjusted risk policies to strengthen risk management and control, raised the barrier for regional and customer access, and targeted customers with higher levels and strong market positions to further optimize the asset structure.

TRANSPORTATION & LOGISTICS

We strictly followed the national strategies and policies and proactively responded to the national strategic target of "emission peak and carbon neutrality". In line with the development of the green energy business, the Group tapped into its resource advantages and further developed specific sectors including shared travel, modern logistics, energy consumption for commute, business vehicles and smart urban distribution, safeguarding the sustainable development of transportation and logistics with financial leasing services and the high-quality development of the transportation and logistics industry in China. Capitalizing on our extensive industry experiences, quality business layout, extensive market channels and service network, we had comprehensive ecosystem resources in place. Through our local sales teams across nearly 30 provinces, autonomous regions, municipalities, and special administrative regions in China, we established long-term cooperation relationships with major domestic manufacturers, shared travel and freight traffic platforms, vehicle dealers, high-quality logistics enterprises and new energy vehicle manufacturing enterprises. These cooperation relationships allowed us to create a financial solution for the whole ecosystem based on the automotive industry chain, providing customers with personalized and diversified one-stop financial services.

As at December 31, 2023, the present value of interest-earning assets attributable to our business in the transportation & logistics industry amounted to RMB12,737.6 million, representing a decrease of 13.0% as compared with RMB14,640.0 million as at the end of last year. The decrease was mainly due to the timely adjustments to our product portfolio through cutting finance lease business toward retail customers, increasing efforts to expand its business in areas such as freight transportation and shared travel, and exploring and strengthening its investment in new energy vehicle finance lease business, in light of the trend of local regulatory policies and market changes of the transportation and logistics industry.

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), and other market segments. Following the policies of the government to develop vocational education, we will put further efforts into developing customers in colleges and vocational education institutions. Grasping the opportunities arising from the industry structure adjustments, we have collaborated with large culture and tourism and hotel groups to develop high-quality customers with effective management, growth potential, and good credit standing. We are committed to providing services to meet the capital needs of these customers for their daily operation, business expansion and service upgrades.

As at December 31, 2023, the present value of interest-earning assets attributable to our business in the culture and tourism industry amounted to RMB7,874.4 million, representing an increase of 7.4% as compared with RMB7,328.6 million as at the end of last year. The increase was mainly because the Group actively expanded strategic cooperation with various colleges, vocational education institutions and 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 specialized hospitals and healthcare enterprises. The services we provide are mainly finance lease services.

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 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 medical laboratory center, imaging center, rehabilitation centers, physical examination centers, pharmaceutical and medical devices suppliers with sound credit record and growth potential to support their funding demand for business expansion and equipment upgrades.

In addition to serving healthcare institutions, we also 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.

As at December 31, 2023, the present value of interest-earning assets attributable to our business in the healthcare industry amounted to RMB7,513.9 million, representing an increase of 4.1% as compared with RMB7,216.9 million as at the end of last year. The increase was mainly because the Group followed national policy guidelines by optimizing the medical product structure to meet the diversified needs of customers and increasing investment in the industry.

OTHER INDUSTRIES

In addition to the above-mentioned industries, we also provide finance lease and advisory services to high-quality customers in sectors such as other leasing and commercial services, technology services, etc.

As at December 31, 2023, the present value of interest-earning assets attributable to our business in other industries amounted to RMB2,015.3 million, representing a decrease of 17.4% as compared with RMB2,439.3 million as at the end of last year.

RECEIVABLES FROM FINANCE LEASE BUSINESS

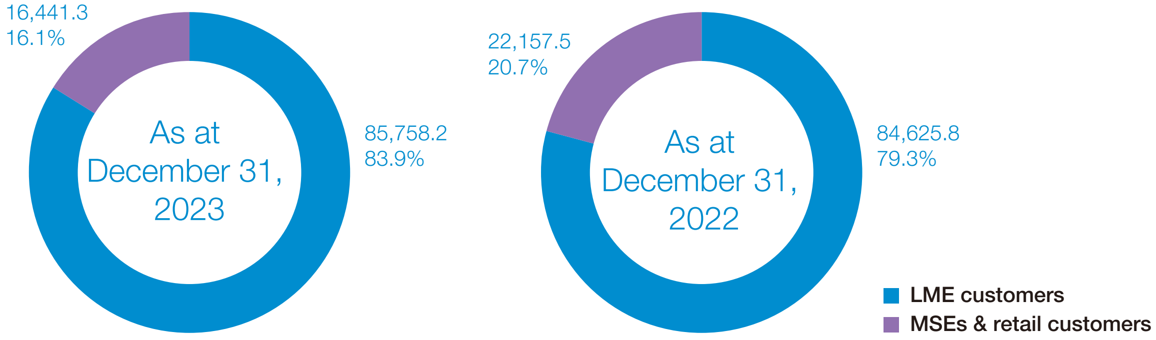
The following table sets forth the breakdown of our receivables from finance lease business as at the dates indicated:

	As at December 31,		
	2023	2022	Changes
	(RMB in millions)		
Gross amount of receivables from finance lease business	**112,752.5**	118,015.9	(4.5%)
Less: Unearned income	**(10,553.0)**	(11,232.6)	(6.1%)
Present value of receivables from finance lease business	**102,199.5**	106,783.3	(4.3%)
Less: Loss allowance	**(2,790.6)**	(2,774.9)	0.6%
Carrying amount of receivables from finance lease business	**99,408.9**	104,008.4	(4.4%)

CUSTOMER ANALYSIS

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

(Unit: RMB in millions, except percentages)



The Group continuously optimized our asset layout with an emphasis on expanding businesses that are encouraged by the national industry policies, including advanced manufacturing, green leasing and digital economy. As at December 31, 2023, the present value of finance lease receivables from LME customers of the Group increased as compared with the end of last year.

MATURITY PROFILE

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

	As at December 31,			
	2023		2022	
	Amount	**% of total**	Amount	% of total
	(RMB in millions, except percentages)			
Within one year	**54,032.0**	**47.9%**	55,860.3	47.3%
More than one year but not exceeding five years	**55,676.7**	**49.4%**	59,731.7	50.6%
More than five years	**3,043.8**	**2.7%**	2,423.9	2.1%
Total	**112,752.5**	**100.0%**	118,015.9	100.0%

As at December 31, 2023, receivables from finance lease business due within one year accounted for 47.9% of the total gross amount of receivables from finance lease business of the Group, which slightly increased as compared with the end of last year.

LOANS AND RECEIVABLES

Our loans and receivables mainly include entrusted loans and other loans. As at December 31, 2023, the carrying amount of the entrusted loans and other loans of the Group was RMB164.7 million, representing a decrease of 52.7% as compared with RMB348.5 million as at the end of last year, which was mainly because the Group did not enter into new entrusted loans and other loans business.

LOSS ALLOWANCE WRITE-OFF

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

	For the year ended December 31,	
	2023	2022
	(RMB in millions)	
Loss allowance write-off	704.5	679.4

The Group writes off unrecoverable non-performing assets in strict accordance with the accounting standards and the Group's write-off policies and procedures. In 2023 and 2022, the Group's loss allowance write-off for interest-earning assets was RMB704.5 million and RMB679.4 million, respectively.

PROPERTY AND EQUIPMENT

Our property and equipment mainly include equipment held for operating lease business and property and equipment held for administrative purpose. As at December 31, 2023, our equipment held for operating lease business consisted of 17 aircraft. The property and equipment held for administrative purpose of the Group consisted primarily of office buildings, motor vehicles, electronic equipment, office equipment, leasehold improvements and construction in progress.

As at December 31, 2023, the carrying amount of the property and equipment of the Group amounted to RMB7,127.7 million, representing a decrease of 2.5% as compared with RMB7,307.2 million as at 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 funds, wealth management products, equity instruments, and asset management schemes and trust plans held by the Group.

As at December 31, 2023, the carrying amount of the financial assets at fair value through profit or loss of the Group was RMB1,130.0 million, representing an increase of 58.4% as compared with RMB713.4 million as at the end of last year, which was mainly due to the adjustment made by the Group according to the position of liquidity management and market condition.

DEFERRED TAX ASSETS

As at December 31, 2023, the carrying amount of the deferred tax assets of the Group amounted to RMB1,856.2 million, representing an increase of 10.7% as compared with RMB1,676.9 million as at the end of last year, primarily due to the provision for impairment losses. In addition, the Group completed the tax filing for certain impairment losses for prior periods in 2023.

CASH AND BANK BALANCES

As at December 31, 2023, the carrying amount of the cash and bank balances of the Group was RMB9,335.8 million, representing an increase of 52.5% as compared with RMB6,121.0 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.

5.3 LIABILITIES

In 2023, the Group strengthened the development of the industrial ecosystem to support the growth of the real economy, maximized the advantages of its industrial footprint, and increased investments in advanced manufacturing, green leasing and digital economy. The Group also continued to improve our liability structure and develop innovative financing products to direct high-quality funds toward business development in key areas, while maintaining our AAA main credit rating (with stable outlook). The Group achieved satisfactory results in both direct finance and indirect finance markets. General debt structure was further improved and funding cost decreased steadily.

As at December 31, 2023, the Group had total liabilities of RMB103,105.8 million, representing a decrease of 2.4% as compared with RMB105,687.0 million as at the end of last year, mainly because based on the prudent and cautious operation concept, the Group dynamically managed its liability structure according to the actual situation of business investment and appropriately reduced the scale of liabilities as at the end of the year.

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

	As at December 31,		
	2023	2022	Changes
	(RMB in millions)		
Current liabilities			
Borrowings	**23,688.1**	25,672.5	(7.7%)
Derivative financial liabilities	**5.7**	76.2	(92.5%)
Accrued staff costs	**314.3**	363.4	(13.5%)
Accounts payable	**277.0**	201.7	37.3%
Bonds payable	**23,730.1**	23,883.1	(0.6%)
Income tax payable	**568.1**	679.5	(16.4%)
Other liabilities	**5,281.7**	6,684.3	(21.0%)
Total current liabilities	**53,865.0**	57,560.7	(6.4%)
Non-current liabilities			
Borrowings	**22,105.3**	23,146.8	(4.5%)
Bonds payable	**21,657.7**	18,670.2	16.0%
Deferred tax liabilities	**13.1**	13.4	(2.2%)
Other liabilities	**5,464.7**	6,295.9	(13.2%)
Total non-current liabilities	**49,240.8**	48,126.3	2.3%
Total liabilities	**103,105.8**	105,687.0	(2.4%)

BORROWINGS

Borrowings of the Group primarily include bank borrowings. As at December 31, 2023, the Group's borrowings amounted to RMB45,793.4 million, representing a decrease of 6.2% as compared with RMB48,819.3 million as at the end of last year.

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

	As at December 31,			
	2023		2022	
	Amount	% of total	Amount	% of total
	(RMB in millions, except percentages)			
Bank borrowings	44,993.1	98.2%	47,665.5	97.6%
Other financial institutions borrowings	552.6	1.2%	926.2	1.9%
Interest payable	216.4	0.5%	183.7	0.4%
Lease liabilities	31.3	0.1%	43.9	0.1%
Total	45,793.4	100.0%	48,819.3	100.0%
Analysed as:				
Current	23,688.1	51.7%	25,672.5	52.6%
Non-current	22,105.3	48.3%	23,146.8	47.4%
Total	45,793.4	100.0%	48,819.3	100.0%

As at December 31, 2023, the current borrowings accounted for 51.7% of the total borrowings, representing a decrease as compared with the end of last year, reflecting the stable financing strategies and reasonable debt structure.

BONDS PAYABLE

In 2023, the overall liquidity of the capital market remained reasonable and abundant, while the overall market interest rates decreased. Through comprehensive assessment of capital market developments and taking into account factors such as overall liquidity position and asset allocation, the Group issued green, technological innovation and sustainable financing instruments to achieve the goals of optimizing liability structure, reasonably controlling financing costs, and innovating financing instruments.

The Group's bonds payable mainly include ultra-short-term financing bonds, short-term financing bonds, medium-term notes, corporate bonds, asset-backed securities and asset-backed notes. As at December 31, 2023, the Group's bonds payable amounted to RMB45,387.8 million, representing an increase of 6.7% as compared with RMB42,553.3 million as at the end of last year.

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

	As at December 31,			
	2023		2022	
	Amount	% of total	Amount	% of total
	(RMB in millions, except percentages)			
Analysed as:				
Current	**23,730.1**	**52.3%**	23,883.1	56.1%
Non-current	**21,657.7**	**47.7%**	18,670.2	43.9%
Total	**45,387.8**	**100.0%**	42,553.3	100.0%

OTHER LIABILITIES

The other liabilities of the Group consisted primarily of deposits from customers, notes payable, and aircraft maintenance funds.

As at December 31, 2023, the other liabilities of the Group totalled RMB10,746.4 million, representing a decrease of 17.2% as compared with RMB12,980.2 million as at the end of last year, which was primarily due to the decrease in deposits from customers and notes payable.

5.4 EQUITY

As at December 31, 2023, the Group had a total equity of RMB20,245.3 million, representing an increase of 7.5% as compared with RMB18,826.7 million as at the end of last year, which was mainly due to the combined effect of the profit for the year of the Group for 2023, the distribution of dividends and the change in other equity instruments.

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

	As at December 31,		
	2023	2022	Changes
	(RMB in millions)		
Equity attributable to owners of the Company			
— Ordinary shareholders	**16,765.2**	16,139.5	3.9%
— Other equity instrument holders	**3,430.7**	2,642.9	29.8%
Non-controlling interests	**49.4**	44.3	11.5%
Total equity	**20,245.3**	18,826.7	7.5%

6. ANALYSIS OF CONSOLIDATED STATEMENT OF CASH FLOWS

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

	For the year ended December 31,	
	2023	2022
	(RMB in millions)	
Net cash generated from/(used in) operating activities	**7,957.1**	(5,566.5)
Net cash generated from/(used in) investing activities	**(816.0)**	179.8
Net cash generated from/(used in) financing activities	**(4,181.5)**	4,797.7
Net increase/(decrease) in cash and cash equivalents	**2,959.6**	(589.0)

In 2023, net cash inflow generated from operating activities amounted to RMB7,957.1 million. Cash flows from operating activities consisted primarily of cash generated from or paid for our finance lease, operating lease, entrusted loans and other loans, and advisory businesses, as well as related transactions. The net cash inflow generated from operating activities in the current year was mainly due to the gradual recovery of rents from business investments in prior periods, which were greater than the cash outflow from business investments.

In 2023, net cash outflow used in investing activities was RMB816.0 million, mainly reflecting the cash paid for (i) the purchase of financial assets at fair value through profit or loss; (ii) the purchase of financial assets held under resale agreements; and (iii) the purchase of property and equipment and intangible assets. Such cash outflows were partially offset by the cash received during the year from (i) sale of financial assets at fair value through profit or loss; (ii) sale of financial assets held under resale agreements; and (iii) income received from financial investment.

In 2023, net cash outflow used in financing activities was RMB4,181.5 million, mainly reflecting the cash paid for (i) the repayments of bonds; (ii) the repayments of borrowings; (iii) the payments for interest; (iv) the redemption of other equity instruments; (v) the payments for dividends; and (vi) the payments for the relevant expenses. Such cash outflows were partially offset by the cash received during the year from proceeds from borrowings, the issuance of bonds and other equity instruments, and the proceeds from capital injection of the non-controlling interest investors.

7. CAPITAL MANAGEMENT

We manage our capital to ensure that the companies under 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 former 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 December 31, 2023, the Group did not violate any relevant regulatory requirements regarding the total risk assets and net assets ratio.

8. CAPITAL EXPENDITURE

In 2023, the capital expenditure of the Group was RMB127.9 million, which was mainly due to the Group's addition of properties and intangible assets in 2023.

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 develop a more comprehensive management system and organizational structure, diversify the application of fin-tech and further strengthen the risk control of all procedures and the proactive risk management level. 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 ultimate Controlling Shareholder. We report key risk indicators to Haitong Securities and are supervised by Haitong Securities for 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 former CBIRC and the "Regulatory Guidelines on Regulatory Rating and Classification of Financial Leasing Companies and Commercial Factoring Companies in Shanghai" (《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》) issued by the Shanghai Municipal Financial Regulatory Bureau, 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 continuously 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 is established under the Board. Management exercise specific functions based on the authorization of the Board, and various functional departments perform their duties properly to facilitate our comprehensive risk management.

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

9.1 CREDIT RISK

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

2023 was a ground-breaking year in which we put into practice the spirit of the 20th CPC National Congress in all areas. Facing the external environment of a complicated and ever-changing international situation, a recovering domestic economy, deepening industrial structure, and accelerating industry transformation, we prioritized providing financial services to support the real economy. We capitalized on the opportunities arising from China's ongoing economic transformation, leveraging our own resources to empower customers and foster mutual growth. We strictly adhered to our credit risk management system and procedures during business expansion, resulting in effective control of business credit risk and asset quality. We have adopted the following measures in respect of credit risk management:

- Strengthening professional research, with a strategic plan that always aligns with the development trend

  We have always recognized the significant impact of the external environment on our business activities, have consistently monitored and analyzed the macroeconomic and industry situations, and have always prioritized prompt analysis and in-depth interpretation of policies at all levels. In terms of macroeconomic research, we conduct regular monitoring and analysis of important guidelines and policies, major economic and financial events, and macroeconomic data, as well as strive to capture the historical opportunities presented by the construction of a modernized industrial system, to ensure that our development plans align with national strategic guidelines at all times. In terms of industry research, we thoroughly examine the development trend, investment trends, market opportunities, and risk characteristics of key industries, forecast the trend of credit risk changes in the relevant industries, and adjust our business direction in a timely manner in accordance with market development trends. In terms of regulatory policies, we remain sensitive to important regulatory documents and supervisory guidance, and we have adhered to the development philosophy of focusing on providing leasing services to serve the real economy, and creating differentiated advantages, in order to ensure that our business direction aligns with the regulatory guidelines.

- Optimizing asset allocation to promote industrial transformation and high-quality development

  In 2023, the international situation was complex and ever-changing, and China's economy possessed both new opportunities and challenges during its recovery. Based on an in-depth analysis of the external environment and our own development strategy, we have developed a visionary and practical allocation strategy, as well as a more detailed plan for strategic emerging areas such as advanced manufacturing, green leasing and digital economy. In 2023, we experienced growth in both the size of our assets and our business investments in green leasing and the digital economy, and we achieved desirable results in the development of an industrialized ecosystem. Meanwhile, we further expanded our business coverage to high-quality central and state-owned enterprises with strong risk resistance in areas such as new infrastructure, healthcare and construction in which we have robust business foundation. Efforts were also made to maintain relationship with existing high-quality customers. Our asset foundation was more solid as the proportion of emerging industries increased and the deeply developed industries remained strong. Our asset base has become stronger and our asset structure has become more optimized.

  In 2024, we will consider a variety of factors, including macroeconomic developments, policy guidelines and risk monitoring input, and pay special attention to the market demand and development characteristics of the direct equipment leasing model in the aforementioned areas. We will make timely and dynamic adjustments to asset allocation based on market conditions and asset performance to ensure that our industrialized transformation and high-quality development goals are accomplished.

- Refining assessment system and further improving management in different categories and levels

  In 2023, we continued to implement the two-dimensional risk assessment system of "industry + customers", and monitored the developments and changes in risk exposures of different industries regularly. Using data from the pre-lease, lease and post-lease stages, as well as expert approval experience, we did a comprehensive analysis and review of the asset portfolio, asset quality and business resources, which improved the approval policy's relevance, effectiveness, and thoroughness. In addition, we conducted a thorough analysis and research of major areas of development, and developed risk management policies tailored to each customer's particular risk profile. In 2023, we updated and revised our credit review guidelines for manufacturing, construction, energy supply, healthcare, private education and other industries. We established differentiated customer introduction standards for each industry segment based on strategic preferences, asset data and industry analysis, as well as standards for high-quality customers and corresponding preferential policies that give additional preferential treatment to high-quality state-owned enterprises and high-quality customers such as niche enterprises and leading manufacturers. In addition, we put greater 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 our revenue by improving the precision of our quantitative risk assessment and risk management capabilities.

- Upgrading financial tools to continuously empower business development and risk prevention and control

  In 2023, we increased our investment in financial technology, expanded and deepened the application of financial technology tools, explored technology-enabled scenarios in all aspects of pre-lease, lease, and post-lease, which significantly improved our digital risk identification and management capabilities.

  In the pre-lease stage, we continued to improve the automation level of business processes by expanding the application of model embedding, big data access, and other technologies, realized integrated automatic access to third-party data sources including zhongdengwang.org.cn, fahai.com, qcc.com, credit reports through developing an application pre-approval reporting system, achieved full-life process management of lead acquisition, screening, distribution, and follow-up by promoting the construction of an online customer acquisition platform, and improved centralized management capability by promoting the construction of a unified customer management platform.

  In the lease stage, we have achieved automatic approval in some core scenarios of retail business by promoting the construction of risk control engines and intelligent risk control approval models, optimizing the intelligent credit approval and admission model for small projects, and significantly optimized the effectiveness of electronic signature by optimizing certificate validity, using audio and video dual recording signing services, introducing public security face comparison, three element authentication, and other techniques.

  In the post-lease stage, we continued to develop an IoT platform to enable automatic order dispatching on equipment bracelets, mobile terminal early warning processing, and leased asset monitoring functions, enabling the viewing of equipment details and the handling of risk warnings at any time and from any location, thereby increasing the efficiency of the asset monitoring. We further developed the asset management system to provide vertical integration across asset management modules and remove data barriers horizontally, and enhanced the coverage of business scenarios to provide better support for post-lease asset management. We optimized the public opinion system to generate point-to-point alerts for risky public opinion events, using natural language processing algorithms to nearly double the accuracy rate of information keyword extraction, thereby improving the operational efficiency of public opinion monitoring.

ASSET 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 of our assets. 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 certain 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 deduction of allowances for impairment losses based on the five-category classification standard of asset quality as at the dates indicated:

	As at December 31,			
	2023		2022	
	Amount	% of total	Amount	% of total
	(RMB in millions, except percentages)			
Normal	99,911.3	97.35%	104,264.7	97.18%
Special mention	1,565.7	1.53%	1,864.7	1.73%
Substandard	160.8	0.16%	708.6	0.67%
Doubtful	963.2	0.94%	433.0	0.40%
Loss	23.8	0.02%	24.3	0.02%
Total	102,624.8	100.00%	107,295.3	100.00%
NPA ratio		1.12%		1.09%
Allowance coverage ratio for NPAs		265.82%		252.02%

The Group has always regarded risk management as the focus of its business management. In 2023, the Group adhered to a prudent, proactive, full-cycle and full-process risk management philosophy. We proactively adjusted business preferences by further deepening the study and analysis of the changes in macro-environment and industry development logic, strengthened risk identification and assessment by continuously optimizing risk models and approval policies, and strengthened risk monitoring and treatment by building an intelligent asset management system with the IoT and intelligent early warning systems as the core. As a result, our asset quality remained stable throughout the year and our asset structure was further optimized. As at December 31, 2023, the NPAs of the Group amounted to RMB1,147.8 million, representing a decrease of RMB18.1 million or 1.6% as compared with the end of 2022, reflecting its effective risk management and mitigation. The amount of special mention assets decreased by 16.0% and their proportion decreased by 0.20 percentage points as compared with the end of 2022, realizing a decrease in both the amount and the proportion for three consecutive years. The proportion of normal assets increased by 0.17 percentage points, realizing an increase in the proportion for three consecutive years. The NPA ratio was 1.12%, representing a slight increase of 0.03 percentage points as compared with the end of 2022, mainly due to the fluctuations in asset size. Overall, facing an external environment with increasing complexity, severity and uncertainty during the reporting period, the Group's proportion of normal assets further increased, while the size of NPAs and special mention assets continued to decrease. The overall trend of assets is positive, with stable and controllable asset quality and improving risk management capabilities and level.

The Group has always prioritized the stability of its risk resistance ability and keeps its allowance coverage ratio at a reasonable level at all times to deal with the complicated and ever-changing credit environment and safeguard the sustainable and healthy development of the Group. As at December 31, 2023, the allowance coverage ratio for NPAs of the Group was 265.82%, representing an increase of 13.80 percentage points as compared with the end of 2022. Our risk resistance ability has been further strengthened.

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 2023, leveraging our advantages and in compliance with the policies and guidelines, we optimized our asset layout and invested more resources in the expansion of strategic emerging sectors based on our strategic objectives. On the one hand, we put greater efforts into the development of business in strategic emerging sectors based on our ESG objectives and asset allocation strategy. Our new investment in green leasing segment including photovoltaic energy storage, and energy conservation and environmental protection in the year exceeded RMB13 billion and the asset scale in green leasing amounted to approximately RMB23.7 billion as at the end of 2023, which increased by approximately 27% as compared with the end of 2022 and provided strong support for the growth of "emission peak and carbon neutrality" related enterprises. We seized the opportunities presented by the steady growth of the manufacturing industry and the rapid development of intelligent computing power, and vigorously promoted business expansion in key areas such as advanced manufacturing, computing power, data centers, and electronic information manufacturing. In particular, the digital economy field has achieved growth of 40% in assets and 33% in investment, and have accumulated a number of high-quality projects and high-quality customers. On the other hand, we endeavored to accelerate business transformation, and adjusted the business direction of urban public utilities and transportation and logistics by reducing the size of the traditional business. New investments were mostly made in new business directions such as new infrastructure, green travel, and smart city distribution, which further helped to optimize the asset structure.

As at the end of 2023, advanced manufacturing, energy and environmental protection and construction were the top three industries in terms of the interest-earning asset balance and together accounted for 55.9% of the total interest-earning asset balance of the Group. The concentration of the top three industries further decreased by 0.9 percentage points from the end of 2022. Asset concentration has been kept to a manageable level, leading to suitable risk diversification while keeping distinct sector features. In 2023, we closely followed the government strategy of optimizing energy structure and upgrading industrial structure by further increasing investment in new energy, energy conservation and environmental protection, tourism services, education and culture, and strengthening support for central and state-owned construction enterprises. The size of our assets in segments including energy and environmental protection, construction, culture and tourism has grown. At the same time, with an in-depth understanding of regulatory guidelines, the Group sought to accelerate business structure transformation by adjusting the business structure of the urban utilities and transportation and logistics businesses. Traditional businesses were effectively reduced and the asset structure was further optimized.

As at the end of 2023, the asset size in the advanced manufacturing sector was RMB22,567.5 million, accounting for 22.0% of total, making it the largest sector in terms of interest-earning assets. Under the background of the overall recovery of the domestic economy and manufacturing industry, we studied the policies including China's "14th Five-Year Plan", "14th Five-Year Plan to Promote the Development of Small and Medium-Sized Enterprises" and "Stable Growth Work Plan for Ten Major Industries in the Industrial Sector", and remained committed to the original intention of focusing on equipment leasing and solidly serving the real economy. We fully utilized the business advantage of finance lease to provide both key equipment and financial support, consistently providing high-quality financial services to manufacturing enterprises in fields such as digital computing power, high-end equipment, and green environmental protection, and focusing on serving niche "small giant" enterprises as well as niche medium- and small-sized enterprises. In 2023, we invested approximately RMB16 billion in the advanced manufacturing sector. The size and proportion of assets remained stable, with overall steady development.

As at the end of 2023, the asset size of the energy and environmental protection sector was RMB17,758.0 million, accounting for 17.3% of total. Based on actively serving the national strategic goal of "emission peak and carbon neutrality", we closely followed the general trend of green and low-carbon energy development and vigorously strengthened business development in the fields of new energy and environmental protection including photovoltaic energy storage, sewage and sludge treatment, hazardous waste treatment, and food waste disposal. In 2023, new investment in the energy and environmental protection sector amounted to over RMB9.6 billion, and the asset size increased by RMB1,288.2 million, or 7.8%, as compared with last year, which further consolidated its position as our second largest asset sector and fully demonstrated our commitment and devotion in contributing to the "emission peak and carbon neutrality" strategies and supporting the transformation and upgrade of the energy industry of China. We will focus on the mission of accelerating the planning and construction of new energy system according to the report of the 20th CPC National Congress. We will further expand to and conduct researches on the development of the new energy, energy conservation and environmental protection industries, formulate differentiated business expansion and risk management strategies based on the risk characteristics of customers and consolidate our asset foundation in the energy and environmental protection sector, so that our asset structure will be more in line with the requirement of green economy and sustainable development with high quality.

As at the end of 2023, the asset size of the construction sector was RMB16,996.6 million, accounting for 16.6% of total. We focus on serving central and state-owned construction enterprises, and have accumulated years of advantageous business resources. In 2023, we increased our support for high-quality construction companies while also expanding engineering equipment leasing, green building materials leasing, and other businesses. The assets of the construction sector increased by RMB2,372.1 million, or 16.2%, as compared with the end of last year. With the increase in proportion by three percentage points, it has become our third largest asset sector.

9.2 COMPLIANCE RISK

Compliance risk refers to the risk that an enterprise may be subject to legal sanctions or regulatory penalties due to its failure to comply with laws and regulations, regulatory requirements, and codes of conduct applicable to its business activities. In 2023, in order to prevent compliance risks, first, we launched the "Year of Consolidating the Culture of Internal Control on Compliance" initiative. By conducting cultural publicity and training, building compliance talent teams and inspecting system implementation in key areas, and with "consolidation" as the focus and "improvement" as the goal, we strengthened the compliance concept of "everyone complies and proactively complies", providing strong support for creating a good compliance environment. Second, we conducted several compliance inspections, followed a problem-solving method, and enhanced the closed-loop management of inspection, supervision, correction, and feedback to make recommendations for improving the system's implementation and performance. Third, we have created a set of compliance review control documents with clear standards and responsibilities by organizing special training, improving contract templates, solidifying duty performance procedures, and fine-tuning review standards to strengthen front-line compliance personnel's review duties.

9.3 LIQUIDITY RISK

Liquidity risk refers to the risk that we are unable to obtain sufficient funds in a timely manner and at reasonable costs to 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 indicators 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) Value cooperation with various financial institutions, maintain financing reserve from multiple markets and channels, focus on financing management at the group level and keep financing channels unblocked.

During the reporting period, sufficient capital and financing reserve of the Group lowered the liquidity risk and ensured its stable operation in the complex market environment. All core liquidity indicators of the Group are better than the internal management requirement and external regulatory requirement.

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 2023, 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.

9.4 INTEREST RATE RISK

Interest rate risk refers to the risk of adverse effects on 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 maintain reasonable control over interest rate sensitivity gap by closely monitoring the market and coordinating 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.

Our borrowings denominated in foreign currencies with LIBOR as the floating rate benchmark have completed the transition to pegging the benchmark interest rate SOFR. Changes in the benchmark interest rate of foreign currencies will not have any material adverse effect on the Group.

Some of the Group's foreign currency financing will generate interest rate risks, and we use interest rate swaps and currency swaps to hedge against such interest rate risks. As at December 31, 2023, the nominal amount of our interest rate swaps (including currency swaps) amounted to RMB2,065.4 million.

9.5 EXCHANGE RATE RISK

Exchange rate risk refers to the risk of our losses of overall revenue and economic value arising from adverse changes of exchange rate. Exchange rate risk of the Group is primarily attributable to the mismatch of the currencies of our assets and liabilities and is mainly affected by changes in the exchange rates of Renminbi against US dollar, HK dollar or Japanese yen. 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.

Some of the Group's foreign currency financing will generate exchange rate risks, and we use currency forwards and currency swaps to hedge against exchange rate risk. As at December 31, 2023, the nominal amount of our currency forwards (including currency swaps) amounted to RMB904.6 million.

9.6 OPERATIONAL RISK

Operational risk refers to the risk of losses associated with deficiencies or failure of our internal processes, personnel and system, or impact from external events. Under the comprehensive risk management system, we have optimized procedures of operational risk management of various departments for identifying, assessing, measuring, monitoring, tackling and reporting of risks. We have also built an online management system for the entire lifecycle of contracts by using the financial technology, which has significantly enhanced the efficiency and accuracy of procedures and further increased the quantitative management level of operational risk. In 2023, our operational risk was satisfactory and no major operational risk was recorded.

9.7 REPUTATIONAL RISK

Reputational risk refers to the risk of negative perception by stakeholders relating to 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 dedicated staff 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 2023, the reputation of the Group was generally good and no major reputational risk was encountered.

10. HUMAN RESOURCES

As at the end of 2023, the Group had 1,712 full-time employees (excluding dispatched labors) in total. The Group has a team of high quality and professional employees. As at the end of 2023, approximately 88.9% of the employees of the Group possessed a bachelor's degree or above or qualification of tertiary level or above, and 26.3% of the employees possessed a master's degree or above or qualification of postgraduate level or above.

A comprehensive training system has been built by expanding our talent training channels and boosting the development of talent pool. A total of 317 training programs were held in 2023, with 30,056 person-times. Talent training programs were implemented at various levels, including the "Sailing Program" (遠航項目) for cadre training, the "Set Sail Program" (啓航項目) for supervisor training and the "Operation Sailing" (揚帆行動) for youth talent training, which further improved the quality of managers and strengthened the building of a talent pool. The brand-new "Star Program" (恆星計劃) management trainee program promotes both induction and training and actively explores independent training models. The "Building New Dreams" (融新築夢) training program for new employees was implemented. Focusing on our strategic support industries, we drew portraits of industrial talents, strengthened the introduction of industrial talents, and implemented "Research in the Right Way" (研之有道), "Industrial Research and Exchange" (產業研享匯) and other industrial training programs.

During the reporting period, total staff costs of the Group were RMB803.6 million.

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 insurance, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing provident funds for the employees. In addition to insurances stipulated in accordance with applicable PRC laws and regulations, the Group also provided supplemental commercial medical insurances. During the reporting period, the Group had performed all of its obligations in respect of statutory social insurance and housing provident funds in accordance with the applicable PRC laws in all material aspects.

11. CHARGES ON ASSETS

As at December 31, 2023, finance lease receivables with a carrying amount of approximately RMB618.7 million, and receivables arising from sale and leaseback arrangements with a carrying amount of approximately RMB1,420.6 million were pledged as collateral for borrowings, while property and equipment with a carrying amount of approximately RMB6,303.5 million of the Group were mortgaged and equity interests in certain subsidiaries held by the Group were pledged to banks as collateral for bank borrowings.

12. CONTINGENT LIABILITIES

As at December 31, 2023, the Group had no contingent liabilities.

13. SUBSEQUENT EVENTS

The Group has not had any major subsequent events since December 31, 2023.

14. MATERIAL LAWSUIT, LITIGATION AND ARBITRATION

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

15. SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS

During the reporting period, neither the Company nor any of its subsidiaries had any significant investments, acquisitions or disposals.

1. BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS

Mr. Zhang Xinjun (張信軍), aged 48, holds a master's degree in management and the qualification of senior accountant, and has served as a non-executive Director of the Company since May 2023. Mr. Zhang has served as a non-executive director of Haitong Bank, S.A. since January 2018, the chief financial officer of Haitong Securities, a non-executive director of Haitong International Securities Group Limited since March 2018, and an executive director of Haitong Investment Ireland PLC since February 2020. He has served as a director and the chairman of the board of Haitong UT Capital Group Co., Limited since April 2023, and as deputy general manager of Haitong Securities since June 2023.

Mr. Zhang worked at the finance and accounting department of Haitong Securities and successively served in various positions including an office clerk, the deputy manager, and manager of the asset management department from July 2001 to June 2007. He has worked for Haitong International Holdings Limited since July 2007, and has been the head of finance from July 2007 to February 2009 and became the chief financial officer since March 2009. Mr. Zhang acted as the chief financial officer of Haitong International Securities Group Limited from March 2010 to March 2018. He served as a director of Fullgoal Fund Management Co., Ltd. from February 2019 to November 2023.

Mr. Ding Xueqing (丁學清), aged 60, holds a master's degree in business administration and is our Chairman of the Board and executive Director. Mr. Ding has served in various positions since he joined the Company in November 2014, including a Director, the standing deputy general manager and the General Manager, and has been the Chairman of the Board since May 2020. Mr. Ding has served as a director of Haitong UniFortune Financial Leasing (Shanghai) Corporation since November 2014, a director of Haitong UT Capital, a director of Haitong Unitrust International Financial Leasing (Tianjin) Corporation and the chairman of the board of directors and a director of Shanghai UniCircle Investment & Development Co., Ltd. since July 2015, and a director of Haitong UT MSE Financial Leasing (Shanghai) Co., Ltd since January 2017. Mr. Ding has served as the executive president of Shanghai Leasing Trade Association since October 2021 and a representative of the 3rd People's Congress of Shanghai Huangpu District since November 2021.

Mr. Ding served as an officer of the Changzhou Finance Bureau of Jiangsu Province in the PRC from July 1984 to December 1985 and a teacher of Changzhou College of Accounting in Jiangsu Province in the PRC from December 1985 to June 1988. Mr. Ding served in various positions in the local tax bureau of Jinghu Branch, Wuhu City, Anhui Province in the PRC from June 1988 to March 2002, including the deputy director of the Second Tax Office and director of the Third Tax Office, and assistant manager of Huangshan West Road Business Office of GuoYuan Securities in Wuhu City from March 2002 to January 2005. Mr. Ding served in various positions in Haitong Securities from January 2005 to November 2014, including the general manager of Wenhua Road Business Office in Wuhu City, deputy general manager of Anhui Branch and general manager of Wuhu Business Office, general manager of Anhui Branch, and general manager of the retail and network finance department. He served as a director of Shanghai Dingjie Construction Development Co., Ltd. from June 2018 to March 2024.

Ms. Ha Erman (哈爾曼), aged 48, holds a master's degree in public administration and the qualification of senior economist, and has served as a non-executive Director of the Company since November 2019. Ms. Ha has served as the vice president of Shanghai Guosheng (Group) Co., Ltd. since May 2016, a director of Shanghai Rural Commercial Bank since February 2017 and the chairwoman of the board of directors and director of Guosheng Overseas Holdings (Hong Kong) Limited since December 2018, a supervisor of AECC Commercial Aircraft Engine Co., Ltd. since December 2019, the chairman of the board of directors, director and general manager of Shanghai Shengpu Jianglan Cultural Development Co, Ltd. (上海盛浦江瀾文化發展有限公司) since March 2020, a director of China Cultural Industry Investment FOF Management Co., Ltd. (中國文化產業投資母基金管理有限公司) since October 2020, and a director of Bright Food (Group) Co., Ltd. since August 2022.

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

Mr. Lu Tong (呂彤), aged 50, holds a doctor's degree in management science and engineering, and has served as a non-executive Director of the Company since May 2022. Mr. Lu has served as the general manager of Shanghai Tourmaline Asset Management Co., Ltd. (上海途靈資產管理有限公司) since July 2015, the vice president of the Shanghai Electric Finance Group since January 2021, and the chairman of the board of directors of Shanghai Electric Financial Leasing Co., Ltd. since June 2022, director and general manager of Shanghai Electric Hongkong Co. Limited, and director and general manager of Shanghai Electric Group Hongkong Company Limited since February 2023.

Mr. Lu served as the project manager of the investment banking department of Bohai Securities Co., Ltd. (渤海證券有限責任公司) from April 2001 to May 2003 and the project manager of the investment banking department of Kinghing Securities Co., Ltd. (金信證券有限責任公司) from June 2003 to May 2004. He also successively worked as the project manager of the investment banking department, the deputy manager of the investment banking department, the manager of the investment banking department, the assistant to general manager and the deputy general manager of Shanghai Electric Group Finance Co., Ltd. from June 2004 to March 2017. Mr. Lu served as the general manager of Shanghai Electric Insurance Broker Co., Ltd. from August 2013 to March 2016, executive director of Shanghai Electric Financial Leasing Co., Ltd. from April 2020 to June 2022, and general manager of Shanghai Electric Financial Leasing Co., Ltd. from April 2020 to February 2023.

Ms. Zhou Jianli (周劍麗), aged 51, holds a master's degree in business administration and the qualifications of Certified Tax Agent and senior accountant, and is an executive Director and general manager of the Company. Since joining the Company in February 2014, Ms. Zhou has successively served as chief financial officer, deputy general manager and concurrently chief financial officer. She has served as an executive Director and the general manager since May 2017 and May 2020, respectively. Ms. Zhou has served as a director of Haitong Unitrust International Financial Leasing (Tianjin) Corporation since April 2017 and has been the chairwoman of the board of directors since November 2021. She has served as a director of Haitong UniFortune Financial Leasing (Shanghai) Corporation and Shanghai UniCircle Investment & Development Co., Ltd. since April 2017. She has been a director of Shanghai Dingjie Construction Development Co., Ltd. since June 2018 and a director of Haitong UT MSE Financial Leasing (Shanghai) Co., Ltd since September 2020.

Ms. Zhou served as the Youth League secretary and teaching assistant of the College of Foreign Languages in Northeast Forestry University from July 1993 to August 1995 and a lecturer of the College of Economics and Management in Northeast Forestry University from December 1997 to February 2000. Ms. Zhou worked for Haitong Securities from February 2000 to March 2014 and successively served as the manager of the finance department of Harbin business department of Haitong Securities, officer and senior executive officer of the finance and accounting department, assistant manager and manager of the financial management department of the finance department, and assistant to general manager of the finance department of Haitong Securities.

Mr. Wu Shukun (吳淑琨), aged 51, holds a doctor's degree in management science and engineering management, and has served as a non-executive Director of the Company since April 2017. Mr. Wu has served as general manager of the strategic development department of Haitong Securities since February 2017, a director of Haitong UT Capital since March 2017, a director of HFT Investment Management Co., Ltd. since April 2017 and a director of Shanghai Haitong Securities Asset Management Co., Ltd. since March 2020.

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

Mr. Zhang Shaohua (張少華), aged 56, holds a bachelor's degree in law. He has been appointed as a non-executive Director of the Company since January 2014. Mr. Zhang has served as a director of Haitong Futures Co., Ltd. since June 2019, director of Shanghai Haitong Securities Asset Management Co., Ltd. since October 2019 and general manager of the capital management headquarters of Haitong Securities since December 2019.

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

Mr. Yao Feng (姚峰), aged 63, holds a master's degree in monetary banking and a qualification certificate as independent director from Shenzhen Stock Exchange. He has been appointed as an independent non-executive Director of the Company since May 2020. Mr. Yao has served as an independent director of China Youran Dairy Group Limited (a company listed on the Hong Kong Stock Exchange (stock code: 9858)) since June 2021.

Mr. Yao successively served as an officer, deputy chief officer, chief officer and deputy director of the statistics and research division of the integrated planning department of the Ministry of Finance of the PRC from August 1983 to March 1993, a deputy department manager and general manager of China Economic Development Trust & Investment Corporation from March 1993 to April 1997, a deputy general manager of the financial and securities department of China Travel Service (Holdings) Hong Kong Limited from April 1997 to July 1998 and a deputy general manager of China Travel Financial Investment Holdings Hong Kong Co., Limited from July 1998 to June 1999. Mr. Yao successively served in various positions of the China Securities Regulatory Commission from June 1999 to May 2013, including the director of institution regulatory department, a party committee member and deputy officer of Guangzhou Securities Regulatory Office, a party committee member and deputy director of Guangzhou Regulatory Bureau, a deputy officer of the risk management office for securities companies, an inspector and deputy officer of the accounting department and a commissioner of Shanghai Supervision Office of the Commissioner. Mr. Yao served in China Association of Public Companies from May 2013 to April 2017 as the secretary of the party committee and vice-chairman. Mr. Yao was an adjunct professor of China University of Political Science and Law from June 2015 to June 2018 and a council member of the Business School of China University of Political Science and Law from May 2017 to December 2022. Mr. Yao was a member of the first session of self-regulatory committee of the council the Shenzhen Stock Exchange from December 2014 to December 2017, and served as the deputy mayor of Hangzhou Municipal People's Government from June 2017 to October 2019, the deputy secretary of the party committee and the chairman of the board of supervisors of China Association of Public Companies from June 2019 to September 2019.

Mr. Zeng Qingsheng (曾慶生), aged 49, holds a doctor's degree in accounting and was a visiting scholar of Rensselaer Polytechnic Institute in the U.S.. He holds the qualification of non-practising member issued by the Chinese Institute of Certified Public Accountants, a qualification certificate as independent director from Shanghai Stock Exchange and completed the training for senior management (independent director) of listed companies organized by Shenzhen Stock Exchange and Shanghai Stock Exchange, respectively. Mr. Zeng has been appointed as an independent non-executive Director of the Company since May 2017. Mr. Zeng has served as the associate professor, doctoral supervisor, professor and deputy dean of the School of Accounting of Shanghai University of Finance and Economics in the PRC since March 2010, and served as an independent non-executive director of Jiangsu Hengrui Pharmaceuticals Co., Ltd. (a company listed on the Shanghai Stock Exchange) (stock code: 600276) since February 2023.

Mr. Zeng worked as a lecturer and associate professor of the Faculty of Accounting of Antai College of Economics and Management of Shanghai Jiao Tong University in the PRC from April 2005 and March 2010. Mr. Zeng served as an independent director of Jiangsu Yixing Rural Commercial Bank Co., Ltd. from June 2017 to February 2019, and an independent director of Shanghai Wanye Enterprises Co., Ltd. (a company listed on the Shanghai Stock Exchange (stock code: 600641)) from December 2015 to January 2022.

Mr. Wu Yat Wai (胡一威), aged 56, holds a master's degree in accounting and finance and has been appointed as an independent non-executive Director of the Company since May 2017. He has served as an independent non-executive director of C&D Property Management Group Co., Ltd (a company listed on the Hong Kong Stock Exchange (stock code: 2156)) since December 2020.

Mr. Wu served as an analyst of the finance department of The Hong Kong Jockey Club from September 1992 to April 1993, assistant manager and manager of the corporate trust department of Bankers Trust Company from April 1993 to July 1995, analyst of Credit Lyonnais Securities (Asia) Limited from November 1996 to April 2000, director of Constant Fine Limited from January 1997 to May 2001. He worked in Lehman Brothers Asia Limited from April 2000 to May 2005, during which he served as the senior vice president of the equity research division in Hong Kong. He worked in Goldman Sachs (Asia) L.L.C. from May 2005 to May 2016, during which he served as the managing director of the global investment research division.

Mr. Yan Lixin (嚴立新), aged 60, holds a doctor's degree in economics and has been appointed as an independent non-executive Director of the Company since May 2020. Mr. Yan has served as an associate professor of Institute for Financial Studies of School of Economics of Fudan University since August 2008, an executive officer of China Centre for Anti-Money Laundering Studies of Fudan University since January 2017, and a professor of finance at the Fudan International School of Finance of Fudan University since March 2024. Mr. Yan has been elected as the only Chinese council member of the International Network of AML/CFT Institute since November 2017. He has served as the President and Dean of Lujiazui Financial Security Institute, Pudong, Shanghai since October 2021.

Mr. Yan served as an assistant teacher of School of Foreign Languages of Jiangsu University (formerly known as School of Foreign Languages of Zhenjiang Teachers College) from July 1985 to July 1993, the chief secretary of the Foreign Economic Trade Commission of Zhenjiang City, Jiangsu Province from July 1993 to December 1995, a head of the general office of Foreign Trade Exchange Co., Ltd. of Zhenjiang City, Jiangsu Province from January 1996 to February 1996, a legal representative and deputy general manager of Textile Import & Export Corporation of Zhenjiang City, Jiangsu Province from February 1996 to December 1996, the chairman of the board of directors and general manager of Knitted Cotton Import & Export Co., Ltd. of Zhenjiang City from January 1997 to August 2002 and the chairman of the board of directors of Shanghai Yifei-KHT International Trade Co., Ltd. from September 2002 to December 2004. Mr. Yan was the Secretary-General of China Centre for Anti-Money Laundering Studies of Fudan University from March 2005 to January 2017, and a postdoctoral fellow in journalism and communication of School of Journalism of Fudan University from September 2006 to June 2008.

SUPERVISORS

Mr. Wu Xiangyang (武向陽), aged 57, holds a master's degree in economic law, and has served as the Chairman of the Board of Supervisors and a Shareholder representative Supervisor of the Company since May 2022. Mr. Wu has served as an employee representative supervisor of Haitong Securities and the chairman of the board of supervisors of Haitong Futures Co., Ltd. since June 2019, a non-executive director of Shanghai Weitai Properties Management Co., Ltd. since March 2020, and the general manager of the legal affairs department of Haitong Securities since December 2022.

Mr. Wu served as the secretary of Nanchang Hangkong University from July 1991 to September 1995, and the legal consultant of the Shanghai branch of Bank of Communications from August 1998 to April 2000. Mr. Wu has worked for Haitong Securities since January 2001, and has successively served as the project manager of the investment banking department, the legal advisor of the office of the general manager, the manager, assistant to general manager and deputy general manager of the compliance department, and the deputy general manager (person in charge) of the compliance department of Haitong Securities.

Mr. Chen Xinji (陳新計), aged 37, holds a master's degree in business administration and has been an employee representative Supervisor of the Company since June 2017. Since joining the Company in November 2016, Mr. Chen had served as an assistant to the general manager of the Treasury Management Department. He is currently the deputy general manager of the Treasury Management Department.

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

Mr. Hu Zhangming (胡章明), aged 36, holds a bachelor's degree in computer science and technology and the qualification to engage in PMP project management, and has been an employee representative Supervisor of the Company since August 2021. Mr. Hu has served as the deputy general manager (in charge) of the Party Community Division since August 2023.

Mr. Hu worked as a C++ development engineer at VanceInfo Creative Software Technology Ltd. from July 2010 to August 2011; an IT and automation engineer at Nanjing C-HOPE Cement Engineering Group Co., Ltd. from September 2011 to April 2015; and a customer technical service engineer at Shanghai KaYang Information System Co., Ltd. from May 2015 to January 2016. Since joining the Company in February 2016, Mr. Hu has successively served as a clerical and OA officer of the general manager office, the manager of secretarial unit of the general manager office, and an assistant to the general manager of the Party Community Division.

SENIOR MANAGEMENT

Mr. Fu Da (傅達), aged 37, holds a master's degree in finance and economics and is the deputy general manager and secretary to the Board, chief risk officer and a joint company secretary of the Company. Mr. Fu joined the Company in December 2014 as the general manager of High-End Customers Department, and has served as the assistant to general manager since November 2015, secretary to the Board since May 2017 and deputy general manager and chief risk officer since March 2019. Mr. Fu has served as a director of Haitong Unitrust International Financial Leasing (Tianjin) Corporation since November 2021.

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

Mr. Lu Yang (路陽), aged 44, holds a master's degree in business administration and is the deputy general manager of the Company. Since joining the Company in August 2010, Mr. Lu has served in various positions, including the chief marketing officer and general manager of the Machinery Business Department, general manager of the Industrial Equipment Business Department and vice president (managing the industrials). Mr. Lu was an assistant to the general manager of the Company, and has served as the deputy general manager of the Company since March 2019. Mr. Lu has served as the chairman of the board of directors and a director of Shanghai Dingjie Construction Development Co., Ltd since July 2020 and the chairman of the board of directors and a director of Haitong UT MSE Financial Leasing (Shanghai) Co., Ltd. since September 2020. Mr. Lu has also served as the chairman of the board of directors of Haitong UniFortune Financial Leasing (Shanghai) Corporation since February 2022.

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

Mr. Liu Heping (劉和平), aged 55, holds a doctor's degree in international law and the qualification of a lawyer, and is the deputy general manager and chief legal officer of the Company. Since joining the Company in November 2014 as chief legal officer, Mr. Liu has also been a deputy general manager and chief legal officer since August 2015.

Mr. Liu served in various positions in Haitong Securities from July 2000 to November 2014, including officer of the general manager office, assistant manager and division head of the legal department of the general manager office, assistant to general manager of the risk and asset management department, officer of the compliance office, assistant to general manager of the compliance department and assistant to general manager of the compliance and risk management department.

Ms. Sang Linna (桑琳娜), aged 47, holds a master's degree in business administration and is the compliance officer (deputy general manager level) of the Company. Ms. Sang joined the Company in April 2009, and has served as general manager of Business Department and vice president of business from April 2009 to August 2015 and executive deputy general manager and chief operating officer of Gui'an UT Financial Leasing (Shanghai) Co., Ltd. from April to October 2018. She joined the Company again in November 2018 and has served as assistant to general manager of the Company. She has been the compliance officer (deputy general manager level) of the Company since January 2023 and a supervisor of Shanghai Dingjie Construction Development Co., Ltd since February 2023.

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

Mr. He Chen (何晨), aged 59, holds a bachelor's degree in economics and is the assistant to the general manager of the Company. Since joining the Company in January 2017, Mr. He has served as the head of the general manager office of the Company. He has served as the assistant to the general manager of the Company since August 2018 and a director of Shanghai UniCircle Investment & Development Co., Ltd. since February 2023.

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

2. CHANGE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Since July 2023, Ms. Wu Jian has been serving as a member of the Party Committee and secretary of the Discipline Inspection Committee of the Company on a full-time basis, and no longer concurrently serves as the deputy general manager and chief human resources officer of the Company.

Since November 2023, Mr. Zhang Xinjun no longer serves as a director of Fullgoal Fund Management Co., Ltd.

Since March 2024, Mr. Ding Xueqing no longer serves as a director of Shanghai Dingjie Construction Development Co., Ltd.

Since March 2024, Mr. Yan Lixin has been a professor of finance at the Fudan International School of Finance of Fudan University.

Corporate Governance Report

The Board is pleased to present the corporate governance report of the Company for the year ended December 31, 2023.

1. CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high level of corporate governance in order to protect the rights of its Shareholders, enhance corporate value and improve the effectiveness of its development strategy as well as the transparency and accountability of the Group. The Company has adopted the corporate governance code set out in Appendix C1 to the Hong Kong Listing Rules (the "Corporate Governance Code") as its corporate governance practices.

During the Reporting Period, the Company complied with all the provisions set out in the Corporate Governance Code and adopted most of the recommended best practices contained 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.

2. MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted a code of conduct for the securities transactions of Directors and Supervisors no less exacting than the standards of the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Hong Kong Listing Rules (the "Model Code"). Having made specific enquiry of all Directors and Supervisors, the Directors and Supervisors of the Company have confirmed that they had complied with the abovementioned code during the Reporting Period.

3. SHAREHOLDERS' GENERAL MEETING

Functions and Powers of Shareholders' General Meeting

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

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

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

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

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

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

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

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

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

(9) to consider and approve acquisition or disposal of any asset, or any single investment or loan with an amount equal to or exceeding ten percent (10%) of the latest net assets of the Company;

(10) to consider and approve the entering into any single connected transaction (as defined in the Listing Rules) or any single external guarantee with an amount equal to or exceeding ten percent (10%) of the latest net assets of the Company;

(11) to determine other matters to be resolved by the shareholders' general meeting as provided by the laws, administrative regulations, listing rules of the stock exchange(s) where the shares of the Company are listed and the Articles.

Shareholders' General Meetings

A Shareholders' general meeting shall either be an annual general meeting or an extraordinary general meeting. The annual general meeting is convened once a year and shall be held within six months from the end of the preceding accounting year. A written notice of an annual general meeting convened by the Company shall be given 21 days prior to the convening of such meeting (exclusive of the day on which the meeting is held), and a written notice of an extraordinary general meeting shall be given 15 days prior to the convening of such meeting (exclusive of the day on which the meeting is held).

During the Reporting Period, the Company held two Shareholders' general meetings and considered and approved nine resolutions related to profit distribution, review of reports, appointment of auditor, general election of the Board of Directors, and grant of general mandate to issue shares, etc.

The following table sets forth the Shareholders' general meetings that Directors attended:

Director	Number of meetings attended/ should have attended
Mr. Ren Peng(Note)	1/1
Mr. Zhang Xinjun(Note)	1/1
Mr. Ding Xueqing	2/2
Ms. Ha Erman	2/2
Mr. Lu Tong	2/2
Ms. Zhou Jianli	2/2
Mr. Wu Shukun	2/2
Mr. Zhang Shaohua	2/2
Mr. Yao Feng	2/2
Mr. Zeng Qingsheng	2/2
Mr. Wu Yat Wai	2/2
Mr. Yan Lixin	2/2

Note: On May 12, 2023, Mr. Ren Peng ceased to be a non-executive Director of the Company and Mr. Zhang Xinjun was appointed as a non-executive Director of the Company by the general meeting of the Company.

4. BOARD OF DIRECTORS

Functions and Powers of the Board

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

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

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

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

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

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

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

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

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

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

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

(11) to consider and approve the Company's single acquisition or disposal of asset, investment, loan or connected transaction (as defined in the Listing Rules) with an amount exceeding 5% but less than 10% of the latest net assets of the Company and not less than RMB5 million;

(12) to consider and approve the Company's external guarantee with an amount not more than 10% of the latest net assets of the Company;

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

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

(15) to exercise other functions or powers conferred by the Shareholders' general meeting and the Articles;

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

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

(18) to consider any significant matters related to compliance management, internal control and risk prevention;

(19) other matters to be considered by the board of directors.

Composition of the Board

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

Executive Directors:

Mr. Ding Xueqing (chairman of the Board)

Ms. Zhou Jianli

Non-executive Directors:

Mr. Zhang Xinjun

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

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

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

Meetings of the Board

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

During the Reporting Period, the Board held 10 Board meetings and considered and approved 32 resolutions related to system amendment, review of reports, profit distribution, operation examination and assessment, general election of the Board of Directors, mandate to issue shares, and others. Attendance of the Board meetings by Directors is set out as follows:

Director	Number of meetings attended/ should have attended
Mr. Ren Peng(Note)	2/2
Mr. Zhang Xinjun(Note)	8/8
Mr. Ding Xueqing	10/10
Ms. Ha Erman	10/10
Mr. Lu Tong	10/10
Ms. Zhou Jianli	10/10
Mr. Wu Shukun	10/10
Mr. Zhang Shaohua	10/10
Mr. Yao Feng	10/10
Mr. Zeng Qingsheng	10/10
Mr. Wu Yat Wai	10/10
Mr. Yan Lixin	10/10

Note: On May 12, 2023, Mr. Ren Peng ceased to be a non-executive Director of the Company and Mr. Zhang Xinjun was appointed as a non-executive Director of the Company by the general meeting of the Company.

Chairman of the Board and General Manager

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

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

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

(2) to supervise the implementation of the resolutions passed at meetings of the board of directors;

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

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

Ms. Zhou Jianli is the general manager of the Company and shall exercise the following functions and powers:

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

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

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

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

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

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

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

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

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

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

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

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

The day-to-day management, administration and operations of the Group are delegated to the senior management. The Board regularly reviews the functions and responsibilities delegated to it.

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

Independent Non-executive Directors

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

The Company considers that all the independent non-executive Directors were independent persons during the Reporting Period under Rule 3.13 of the Listing Rules.

Non-executive Directors

The current non-executive Directors of the Company are Mr. Zhang Xinjun, Ms. Ha Erman, Mr. Lu Tong, Mr. Wu Shukun and Mr. Zhang Shaohua, and the term of office is from the date of appointment to the date of expiry of the third session of the Board of Directors.

Continuous Professional Development of Directors

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

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

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

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

Director	Type of training received by Director(Note)
Mr. Ren Peng	A
Mr. Zhang Xinjun	A
Mr. Ding Xueqing	A
Ms. Ha Erman	A
Mr. Lu Tong	A
Ms. Zhou Jianli	A
Mr. Wu Shukun	A
Mr. Zhang Shaohua	A
Mr. Yao Feng	A
Mr. Zeng Qingsheng	A
Mr. Wu Yat Wai	A
Mr. Yan Lixin	A

Note: Type of training A refers to reading materials regarding duties and responsibilities of Directors.

5. PROFESSIONAL COMMITTEES OF THE BOARD

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

The list of members of each professional committee of the Board is set out in the section headed “Corporate Information” in this report.

Audit Committee

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

The main responsibilities of the Audit Committee are as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

The Audit Committee held three meetings during the Reporting Period to review and consider matters in relation to financial results and reports, appointment of auditors and profit distribution.

The annual results of the Company for the year ended December 31, 2023 have been reviewed by the Audit Committee.

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

Director	Number of meetings attended/ should have attended
Mr. Zeng Qingsheng (chairman)	3/3
Mr. Zhang Shaohua	3/3
Mr. Yan Lixin	3/3

Nomination Committee

The Nomination Committee consists of three members, namely one executive Director, Mr. Ding Xueqing, and two independent non-executive Directors, Mr. Yan Lixin (chairman) and Mr. Wu Yat Wai.

The main responsibilities of the Nomination Committee are as follows:

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

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

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

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

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

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

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

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

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

Board Diversity Policy

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

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

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

After comprehensive consideration of various aspects and factors such as gender, age, cultural and educational background, professional qualifications, skills, knowledge, industry and regional experience of each director, the Nomination Committee believes that the third session of the Board has members who possess accounting or financial expertise, legal professional qualifications, financial investment experience or relevant industry experience of the Company and is in compliance with the diversity policy.

Nomination Policy for Directors

The Company has adopted a nomination policy for Directors. Such policy has been included in the terms of reference of the Nomination Committee. The policy sets out the objectives, selection criteria and nomination procedures for selecting or recommending appointment or re-appointment of Director candidates.

The nomination methods and procedures for Directors are as follows:

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

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

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

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

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

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

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

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

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

The Nomination Committee held three meetings during the Reporting Period to consider the nomination of a non-executive Director and review matters in relation to the board diversity policy and the qualification of Directors.

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

Director	Number of meetings attended/ should have attended
Mr. Ren Peng(Note)	2/2
Mr. Ding Xueqing(Note)	1/1
Mr. Yan Lixin (chairman)	3/3
Mr. Wu Yat Wai	3/3

Note: On May 12, 2023, the term of the second session of the Board of Directors expired, and Mr. Ren Peng ceased to be a Director and member of the Nomination Committee under the Board of Directors of the Company. On the same day, Mr. Ding Xueqing was appointed as a member of the Nomination Committee under the third session of the Board of Directors of the Company.

Remuneration and Evaluation Committee

The Remuneration and Evaluation Committee consists of three members, namely two independent non-executive Directors, Mr. Zeng Qingsheng (chairman) and Mr. Yao Feng, and one non-executive Director, Mr. Wu Shukun.

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

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

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

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

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

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

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

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

(8) reviewing and/or approving any matters related to share schemes as described in Chapter 17 of the Hong Kong Listing Rules (if applicable);

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

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

The Remuneration and Evaluation Committee held four meetings during the Reporting Period to review matters in relation to the formulation of annual operation goals and annual appraisal.

During the Reporting Period, the Remuneration and Evaluation Committee did not review or approve any matters relating to share plans.

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

Director	Number of meetings attended/ should have attended
Mr. Zeng Qingsheng (chairman)	4/4
Mr. Yao Feng	4/4
Mr. Wu Shukun	4/4

Risk Management Committee

The Risk Management Committee consists of four members, namely two independent non-executive Directors, Mr. Yan Lixin (chairman) and Mr. Yao Feng, one executive Director, Mr. Ding Xueqing, and one non-executive Director, Mr. Zhang Shaohua.

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

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

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

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

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

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

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

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

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

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

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

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

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

(13) other matters as authorized by the Board.

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

The Risk Management Committee held two meetings during the Reporting Period to review matters in relation to annual compliance report, annual risk assessment report, and amendments to the administrative measures for comprehensive risk management.

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

Director	Number of meetings attended/ should have attended
Mr. Yan Lixin (chairman)	2/2
Mr. Ding Xueqing	2/2
Mr. Zhang Shaohua	2/2
Mr. Yao Feng	2/2

Environmental, Social and Governance Committee

The Environmental, Social and Governance Committee consists of three members, namely two executive Directors, Mr. Ding Xueqing (chairman) and Ms. Zhou Jianli, and one non-executive director, Ms. Ha Erman.

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

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

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

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

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

(5) other matters as authorized by the Board.

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

The Environmental, Social and Governance Committee held one meeting during the Reporting Period to review the annual Environmental, Social and Governance Report.

The attendance of each member of the Environmental, Social and Governance Committee at the committee meeting is set out in the following table:

Director	Number of meetings attended/ should have attended
Mr. Ding Xueqing (chairman)	1/1
Ms. Ha Erman	1/1
Ms. Zhou Jianli	1/1

6. RISK MANAGEMENT AND INTERNAL CONTROL

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

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

Thorough Comprehensive Risk Management and Internal Control Systems

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

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

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

The internal control team of the Group plays an important role in monitoring the internal governance. The main duties of the internal control team include management and review of financial position and internal control as well as audit of all the subsidiaries.

Independent and Sound Internal Audit

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

Continuous Optimization of Risk Management and Internal Control Systems

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

During the Reporting Period, in line with the relevant external regulatory requirements and the implementation status of internal rules, the Group amended and improved the relevant risk management and internal control systems, including the Comprehensive Risk Management Measures (《全面風險管理辦法》), the ESG Risk Management Measures (《ESG風險管理辦法》), the Rating Management Measures (《評級管理辦法》) and the Financial Leasing Business Operational Risk Prevention Management Measures (《融資租賃業務操作風險防範管理辦法》).

Inside Information

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

With the support of the Audit Committee, the Risk Management Committee and the relevant reports, the Board reviewed the risk management and internal control systems, including financial, operational and compliance control, for the year ended December 31, 2023, and considered that the relevant systems were effective and adequate.

7. CORPORATE GOVERNANCE

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

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

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

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

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

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

8. JOINT COMPANY SECRETARIES

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

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

During the Reporting Period, Mr. Fu Da and Mr. Lam Kang Chi participated in relevant professional training of not less than 15 hours in accordance with Rule 3.29 of the Hong Kong Listing Rules.

9. RESPONSIBILITIES OF DIRECTORS TO THE FINANCIAL STATEMENTS

The Directors confirm that they are responsible for the preparation of the financial statements of the Company for the year ended December 31, 2023.

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

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

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

10. REMUNERATION OF AUDITOR

PricewaterhouseCoopers Zhong Tian LLP served as the auditor for the financial statements of the Group prepared under the China Accounting Standards for Business Enterprises for 2023, and PricewaterhouseCoopers served as the auditor for the financial statements of the Group prepared under the IFRS Accounting Standards for 2023. The statement made by auditors on their reporting responsibilities on the consolidated financial statements of the Group is set out in the independent auditor's report on page 134 of this annual report.

The approximate emoluments of the audit and non-audit services provided by auditors to the Group during the year ended December 31, 2023 are set out below:

Type of service	Amount RMB in thousands
Audit service	3,187
Non-audit service	566
Total	3,753

11. RIGHTS OF SHAREHOLDERS

Procedures for Convening Extraordinary General Meetings

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

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

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

(3) If the Board agrees to convene the Shareholders' general meeting, it shall issue a notice of meeting. Any changes made to the proposed resolution set out in the notice shall be subject to the approval of the proposer. After the issue of the notice, the Board shall not add any new resolutions or, without the consent of the proposer, change the time of the Shareholders' general meeting.

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

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

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

(5) If Shareholders holding an aggregate of not less than ten percent (10%) (including 10%) shares carrying voting rights at such proposed meeting decide to convene an extraordinary general meeting, they shall inform the Board in writing and the notice of meeting shall comply with Articles 61, 62, 63, 64, 65 and etc. of the Articles of Association. No new resolution shall be added in such notice, otherwise the request for the convening of the Shareholders' general meeting shall be proposed again to the Board pursuant to the procedures mentioned in item (1) above.

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

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

Procedures for Shareholders to Make Inquiries to the Board

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

Procedures for Submitting Proposals at Shareholders' General Meetings

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

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

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

12. DIVIDEND POLICY

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

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

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

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

(3) current and future liquidity of the Company;

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

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

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

13. INVESTOR RELATIONS

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

In order to facilitate effective communication, the Company has adopted a Shareholder communication policy which aims to establish and promote connection and communication between the Company and its Shareholders. The Company has also put in place a website (http://www.utfinancing.com), with a column on investor relations, where updates on its business operations and development, financial data, corporate governance practices and other information will be made available to the public. In 2023, the Company has reviewed the implementation of the shareholder communication policy and ensured its effectiveness.

14. ARTICLES OF ASSOCIATION

In 2023, there were no significant changes to the Articles of Association. The latest version of the Articles of Association is available on the websites of the Stock Exchange and the Company.

Directors' Report

The Board is pleased to present the Directors' Report and audited consolidated financial statements of the Group for the year ended December 31, 2023.

1. DIRECTORS AND SUPERVISORS

Executive Directors:

Mr. Ding Xueqing (chairman of the Board)

Ms. Zhou Jianli

Non-executive Directors:

Mr. Zhang Xinjun

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

Supervisors:

Mr. Wu Xiangyang (chairman)

Mr. Chen Xinji

Mr. Hu Zhangming

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

2. BUSINESS REVIEW

Principal Business

The Group is mainly engaged in the provision of comprehensive financial services, including finance lease, operating lease, advisory services, etc., to customers in advanced manufacturing, energy and environmental protection, construction, urban utilities, transportation & logistics, culture and tourism, healthcare and other industries.

Business Review and Analysis of Key Indicators of Financial Performance

For business review and analysis of key indicators of financial performance of the Group for the year ended December 31, 2023, please refer to the sections of "Financial Summary" and "Management Discussion and Analysis" in this report.

Environmental, Social and Governance Performance

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

While striving to achieve business growth, the Group also actively performs its environmental, social and governance responsibilities. In the environmental aspect, the Group adopts the concept of environmental protection into business conduct and operation and strives to create a green leasing industrial ecosystem that integrates multiple fields to empower the development of the green economy. The Group vigorously advocates paperless office, green office, energy conservation and environmental protection. In the social aspect, the Group pays great attention to business quality, service level, protection of intellectual property rights, protection of customers' interests, support of social and public welfare and charitable activities, and optimization of employees' protection system and promotion system. The Group also supports the development of public service facilities, advanced manufacturing, inclusive finance and other relevant businesses. At the governance level, the Group continues to optimize the operating mechanism of the three committees, enhances the level of compliance and internal control, strengthens integrity education and combats corruption, so as to safeguard its long-term and sound development.

When performing its social responsibilities, the Group also complies with the Environmental, Social and Governance Reporting Guide of the Hong Kong Stock Exchange to liaise with important stakeholders such as shareholders, customers, employees, government and regulatory bodies, suppliers and partners, community on environmental, social and governance issues of the Group by means of questionnaires and interviews. The results thereof are the basis of the environmental, social and governance report to be disclosed by the Group. The Group has also formulated the Haitong Unitrust Sustainable Development Plan 2023–2026 to track and validate the progress and completion of different environmental, social, and governance-related objectives. For more information on the Group's environmental, social and governance matters, please refer to the Group's 2023 Environmental, Social and Governance Report.

Compliance with Laws and Regulations

The Group has been in strict compliance with the Companies Ordinance, the Listing Rules, the SFO, the Company Law, the Basic Norms of Enterprise Internal Control (《企業內部控制基本規範》) and other relevant requirements of laws, regulations, rules and provisions on information disclosure, corporate governance and standard industry operation.

To the knowledge of the Directors of the Company, the Group had no violation of relevant laws and regulations which have significant impact on the Group for the year ended December 31, 2023.

Major Risks and Risk Management

For major risks and risk management of the Group for the year ended December 31, 2023, please refer to the section headed "Management Discussion and Analysis — Risk Management" in this report.

Future Developments of the Group

For future developments of the Group after the year ended December 31, 2023, please refer to the sections headed "Chairman's Statement", "General Manager's Statement", "Management Discussion and Analysis" in this report. The above sections form part of the Directors' Report.

Subsequent Events

The Group has not had any major subsequent events since December 31, 2023.

3. SHARE CAPITAL

Details of the share capital of the Company are set out in note 34 to the consolidated financial statements.

Public Float

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

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

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

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

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

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

4. DEBT FINANCING INSTRUMENTS ISSUED

In 2023, in order to further replenish working capital and optimize the structure of assets and liabilities, the Group actively carried out direct financing domestically and expanded its types of financing instruments, including the issue of ultra-short-term commercial papers of RMB8,000 million, short-term commercial papers of RMB1,000 million, public corporate bonds of RMB5,250 million and medium-term notes of RMB3,000 million, amounting to RMB17,250 million in aggregate. The details are set out below:

(1) In 2023, the Company issued eight rounds of ultra-short-term commercial papers of RMB8,000 million in aggregate with a maturity period of 270 days and interest rates ranging from 2.40% to 2.81% per annum in the PRC.

(2) In 2023, the Company issued one round of short-term commercial papers of RMB1,000 million in aggregate with a maturity period of 1 year and interest rate of 3.41% per annum in the PRC.

(3) In 2023, the Company issued six rounds of public corporate bonds of RMB5,250 million in aggregate with maturity periods ranging from one to three years and interest rates ranging from 3.36% to 3.90% per annum in the PRC.

(4) In 2023, the Company issued three rounds of medium-term notes of RMB3,000 million in aggregate with maturity periods of three years and interest rates ranging from 3.46% to 4.20% per annum in the PRC.

5. PROFIT DISTRIBUTION

Interim Dividend

In December 2023, the Company has distributed the interim cash dividend to all of its ordinary Shareholders for the six months ended June 30, 2023. Based on the number of shares of 8,235,300,000 Shares, the interim dividend distributed was RMB0.48 per 10 Shares (tax inclusive) with a total amount of RMB395,294,400.00 (tax inclusive).

Annual Dividend

The Board of Directors of the Company recommended to distribute cash dividend to all of its ordinary Shareholders for the year ended December 31, 2023. Based on the number of Shares of 8,235,300,000 Shares, the annual dividend to be distributed will be RMB0.42 per 10 Shares (tax inclusive) with a total amount of RMB345,882,600.00 (tax inclusive). According to the Articles of Association, the proposed annual dividend will be paid to the holders of Domestic Shares and holders of H Shares in RMB and HK dollar, respectively. The actual distribution amount in HK dollar shall be determined with reference to the average mid-price of exchange rate between RMB and HK dollars announced by the PBOC one week immediately prior to the date of the annual general meeting of 2023 to be held by the Company. The proposed distribution of annual dividend is subject to the approval of the Shareholders during the annual general meeting of 2023 to be held by the Company and is expected to be distributed no later than Thursday, July 25, 2024. Once approved, the 2023 annual dividend of the Company will be paid to the Shareholders whose names appear on the share register of the Company on Thursday, June 13, 2024.

For the purpose of determining the entitlement of Shareholders to receive the 2023 annual dividend, the register of members of the Company will be closed from Saturday, June 8, 2024 (inclusive) to Thursday, June 13, 2024 (inclusive). In order to qualify for receiving the 2023 annual dividend, H Shareholders and Domestic Shareholders should ensure all transfer documents, accompanied by the relevant Share certificates, are lodged with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, and to the Company's registered office at No. 599 South Zhongshan Road, Huangpu District, Shanghai, PRC, respectively, before 4:30 p.m. on Friday, June 7, 2024. The Company expects to distribute the 2023 annual dividend no later than Thursday, July 25, 2024.

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

Taxation

Tax for Holders of H Shares

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

Domestic Shareholders Investing through Shenzhen-Hong Kong Stock Connect

Pursuant to the Notice on Tax Policies for Shenzhen-Hong Kong Stock Connect Pilot Program (Cai Shui [2016] No. 127) (《關於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 laws. 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 laws.

6. CONNECTED TRANSACTIONS

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

6.1 Non-Exempt Continuing Connected Transactions

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

Continuing connected transactions	Connected person(s)	Annual cap for 2023 (RMB in millions)	Actual transaction amount for the year ended December 31, 2023 (RMB in millions)
1. **Business Referral Framework Agreement**[(Note)]	Haitong Securities and/or its controlled companies		
Payment of service fees by the Group to Haitong Securities and/or its controlled companies		20.6	1.4
Payment of service fees by Haitong Securities and/or its controlled companies to the Group		3.4	–
2. **Financial Service Framework Agreement**[(Note)]	Haitong Securities and/or its controlled companies		
Payment of service fees by the Group to Haitong Securities and/or its controlled companies		175.0	72.4

Continuing connected transactions	Connected person(s)	Annual cap for 2023 (RMB in millions)	Actual transaction amount for the year ended December 31, 2023 (RMB in millions)
3. Financial Products Investment Framework Agreement(Note)	Haitong Securities and/or its controlled companies		
Maximum daily balance of financial products purchased by the Group from Haitong Securities and/or its controlled companies		300.0	100.0
Payment of income by Haitong Securities and/or its controlled companies to the Group		20.0	–

Note: For details of the connected transactions, please see the announcement of the Company dated September 16, 2021.

(1) Business Referral Framework Agreement

(a) Description of the Transaction

On September 16, 2021, the Company entered into a business referral framework agreement with Haitong Securities in respect of the business referral services provided by the Group, Haitong Securities and its controlled companies to each other and payment of service fees for such services. The business referral framework agreement provides that all service fees shall be (i) negotiated on arm's length basis taking into consideration the types of customers referred, categories of projects, the extent of the participation and contribution of the referrer and other factors; (ii) entered into on normal commercial terms; and (iii) in compliance with, amongst others, the Listing Rules and applicable laws.

The business referral framework agreement was effective from January 1, 2022 and will expire on December 31, 2024 and is renewable upon mutual agreement, subject to compliance with the then applicable provisions of the Listing Rules.

(b) Purposes of the Transaction

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

(c) Listing Rules Implications

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

As the highest applicable percentage ratio of the transactions contemplated under the business referral framework agreement under Chapter 14A of the Listing Rules for the year ended December 31, 2023, on an annual basis, was higher than 0.1%, but lower than 5%, such continuing connected transactions shall be subject to the annual review, reporting and announcement requirements under Chapter 14A of the Listing Rules but exempt from independent Shareholders' approval requirement.

(2) Financial Service Framework Agreement

(a) Description of the Transaction

On September 16, 2021, the Company entered into a financial service framework agreement with Haitong Securities, pursuant to which Haitong Securities and its controlled companies shall provide financial services, including underwriting, sponsoring, asset management, consultancy services and liquidity support, to the Group, and the Company shall pay the financial service fees, including the underwriting fees, sponsoring fees, management fees, consultancy fees and/or commitment fees to Haitong Securities and its controlled companies. The financial service framework agreement provides that all such services and fees shall be (i) in the ordinary and usual course of businesses of the Group and Haitong Securities and its controlled companies; (ii) determined on an arm's length basis; (iii) entered into on normal commercial terms; and (iv) in compliance with, amongst others, the Listing Rules and applicable laws.

The financial service framework agreement was effective from January 1, 2022 and will expire on December 31, 2024 and is renewable upon mutual agreement, subject to compliance with the then applicable provisions of the Listing Rules.

(b) Purposes of the Transaction

Haitong Securities and its controlled companies provide financial services including underwriting, sponsoring, asset management, consultancy services and liquidity support in respect of the financing instruments including asset management plans, debt securities, ABS schemes and beneficiary certificates issued by the Group on normal commercial terms in the ordinary and usual course of their business.

(c) Listing Rules Implications

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

As the highest applicable percentage ratio of the transactions contemplated under the financial service framework agreement under Chapter 14A of the Listing Rules for the year ended December 31, 2023, on an annual basis, was higher than 0.1%, but lower than 5%, such continuing connected transactions shall be subject to the annual review, reporting and announcement requirements under Chapter 14A of the Listing Rules but exempt from independent Shareholders' approval requirement.

(3) Financial Products Investment Framework Agreement

(a) Description of the Transaction

On September 16, 2021, the Company entered into a financial products investment framework agreement with Haitong Securities, pursuant to which the Company may purchase currency funds, other wealth management products and beneficiary certificates (the "Financial Products") issued by Haitong Securities and its controlled companies. The financial products investment framework agreement provides that all the transactions and payments shall be (i) in the ordinary and usual course of businesses of the Group and Haitong Securities and its controlled companies; (ii) determined on an arm's length basis, (iii) entered into on normal commercial terms; and (iv) in compliance with, amongst others, the Listing Rules and applicable laws.

The financial products investment framework agreement was effective from January 1, 2022 and will expire on December 31, 2024 and is renewable upon mutual agreement, subject to the then applicable provisions of the Listing Rules.

(b) *Purposes of the Transaction*

To improve the efficiency of funds utilization, the Group purchases currency funds, other wealth management products and beneficiary certificates issued by third parties, including Haitong Securities and its controlled companies, from time to time on normal commercial terms in the ordinary course of its business.

(c) *Listing Rules Implications*

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

As the highest applicable percentage ratio of the transactions contemplated under the financial products investment framework agreement under the Chapter 14A of the Listing Rules for the year ended December 31, 2023, on an annual basis, was higher than 0.1% but lower than 5%, such continuing connected transactions shall be subject to the annual review, reporting and announcement requirements under Chapter 14A of the Listing Rules but exempt from independent Shareholders' approval requirement.

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

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

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

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

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

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

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

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

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

Confirmation of Independent Non-executive Directors

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

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

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

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

Confirmation of Auditor

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

(1) have been approved by the Board;

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

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

(4) have not exceeded the annual caps for the year ended December 31, 2023.

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

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

7. CUSTOMERS, SUPPLIERS AND EMPLOYEES

Major Customers

For the year ended December 31, 2023, revenue from the five largest customers of the Group accounted for 5.50% (2022: 5.53%) of the total revenue of the Group, while revenue from the single largest customer of the Group accounted for 2.06% (2022: 1.94%) of the total revenue of the Group.

Major Suppliers

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

Employee Relationship

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

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

Customer Relationship

The Group understands the importance of good customer relationship. We adhere to a customer-oriented principle and strive to provide reliable and convenient quality tailor-made services. Fin-tech has been adopted for the enhancement of our digitalized and intelligent services. We continue to improve customers' recognition and trustworthiness of the Group so as to extend our customer base and strengthen our market position for more sustainable development opportunities. During the Reporting Period, there was no outstanding material litigation or arbitration which might have a significant impact on the Group.

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

As at December 31, 2023, 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 shareholder	Class of Shares	Capacity/nature of interest	Total number of Shares held	Percentage of total issued Shares of the Company	Percentage of total issued Shares of the same class of the Company	Long position/ short position
Haitong Securities	H Shares	Interests of controlled corporation[(1)]	4,559,153,176	55.36%	78.68%	Long position
	Domestic Shares	Interests of controlled corporation[(1)]	2,440,846,824	29.64%	100%	Long position
Haitong UT Capital	H Shares	Beneficial owner[(1)(2)]	4,559,153,176	55.36%	78.68%	Long position
Haitong Innovation Securities Investment Co., Ltd.	Domestic Shares	Beneficial owner[(1)]	2,440,846,824	29.64%	100%	Long position

(1) Haitong Securities holds 100% of equity interests in Haitong Innovation Securities Investment Co., Ltd. and Haitong UT Capital. 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 UT Capital.

(2) On July 15, 2022, Haitong International Holdings Limited, Haitong Securities and Haitong UT Capital entered into a share transfer agreement, pursuant to which Haitong International Holdings Limited agreed to sell, and Haitong Securities agreed to purchase, 2,336,920,809 shares of Haitong UT Capital, which represented the entire issued share capital of Haitong UT Capital (the "Purchase"). The Purchase was completed on August 17, 2023. Haitong UT Capital has become directly wholly owned by Haitong Securities and Haitong International Holdings Limited ceases to be an indirect controlling shareholder of the Company.

Save as disclosed above, as at December 31, 2023, to the knowledge of the Directors, no other persons had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept by the Company under Section 336 of the SFO.

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

Name of Director	Name of the relevant corporation	Capacity	Number of Shares/ underlying Shares	Number of underlying Shares held under equity derivatives	Total	Approximate percentage of shareholding
Zhang Xinjun	Haitong International Securities Group Limited(Note)	Beneficial owner	956,762	978,473	1,935,235	0.02%

Note: Such company is a subsidiary of Haitong Securities, the ultimate controlling shareholder of the Company, and is an associated corporation of the Company. Such company was acquired by Haitong International Holdings Limited through a tend offer in January 2024. Mr. Zhang Xinjun no longer holds any of its shares since January 2024.

Save as disclosed above, as at December 31, 2023, none of the Directors, Supervisors or the chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Directors, Supervisors, chief executives or their respective associates are deemed to have under such provisions of the SFO), or which were required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

10. DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

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

11. DIRECTORS' INTERESTS IN COMPETING BUSINESS

Save as disclosed in this annual report, as at December 31, 2023, none of the Directors or their respective associates had interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

12. SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

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

13. REMUNERATION OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE

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

Details of remuneration of Directors, Supervisors and chief executive of the Group for the year ended December 31, 2023 are set forth in notes 43 and 44 to the consolidated financial statements of the Group.

14. INDEMNITIES OF DIRECTORS AND SUPERVISORS

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

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

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

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

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

16. PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the Reporting Period, the Company or any of its subsidiaries did not purchase, redeem or sell any of the listed securities of the Company.

17. PRE-EMPTIVE RIGHTS

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

18. SHARE OPTION ARRANGEMENTS

As at December 31, 2023, the Company did not have any share option incentive plan.

19. ADMINISTRATION CONTRACTS

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

20. DISTRIBUTABLE RESERVES

As at December 31, 2023, the distributable reserves of the Company amounted to RMB4,395,422,253.96 (as at December 31, 2022: RMB4,246,424,764.96).

21. PROPERTY AND EQUIPMENT

Details of changes in property and equipment of the Group as at December 31, 2023 are set forth in note 16 to the consolidated financial statements.

22. RETIREMENT AND BENEFITS

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

23. DONATIONS

For the year ended December 31, 2023, the total charitable donations and other donations of the Group amounted to RMB184,652.80 (2022: RMB1,038,000.00).

24. LOAN AGREEMENTS

During the Reporting Period, the Group entered into loan agreements with specific banks, of which loans of approximately RMB1,245.6 million include terms requiring that the Group shall ensure that Haitong Securities maintains actual control over the Group. The terms of such loan agreements range from one to three years.

25. REVIEW OF ANNUAL RESULTS

The accounting principles and practices adopted by the Group and the audited consolidated financial statements for the year ended December 31, 2023 have been jointly reviewed by the Audit Committee together with the management and the external auditor of the Company.

According to the relevant regulations of the Ministry of Finance of the PRC and other regulatory bodies on the management of the selection and engagement of intermediaries, the continuous engagement of the same accounting firm by a specific enterprise shall be subject to a limited tenure. Accordingly, the Company engaged PricewaterhouseCoopers to provide audit services after the conclusion of the annual general meeting held on May 13, 2022. On May 12, 2023, PricewaterhouseCoopers was re-appointed as the auditor of the Company for the year ended December 31, 2023. PricewaterhouseCoopers has audited the annexed financial statements prepared in accordance with the IFRS Accounting Standards.

The Board of Directors of
Haitong Unitrust International Financial Leasing Co., Ltd.
March 28, 2024

Report of the Board of Supervisors

During the Reporting Period, adhering to the principles of conscientiousness, fidelity, diligence and prudence in accordance with the Company Law, the Articles of Association, the rules of procedure for the Board of Supervisors of the Company and other relevant laws and regulations, the Board of Supervisors and all of its members engaged in corporate governance and performed effective supervision practically and diligently. The members of the Board of Supervisors sat in on all meetings of the Board during the Reporting Period and attended all Shareholders' general meetings during the Reporting Period and carried out effective supervision in material aspects including due diligence of the Board and senior management of the Company, operating activities of the Company, risk control and compliance management. The Board of Supervisors expressed opinions and advice regarding material decisions of the Company in order to safeguard the legal interest and right of Shareholders, the Company and employees and promote the high-quality development of the Company.

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

(1) to examine the financial position of the Company;

(2) to supervise the performance of duties by the directors, general manager and other senior management in violation of the laws, administrative regulations or the Articles of Association;

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

(4) to verify the financial information, such as the financial reports, business reports and profit distribution plans that the board of directors intends to submit to the shareholders' general meeting, and if in doubt, engage certified accountants or practising auditors to review such information on behalf of the Company;

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

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

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

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

1. MEETINGS OF THE BOARD OF SUPERVISORS

During the Report Period, the Board of Supervisors held three meetings in total. 10 resolutions regarding the working report of the Board of Supervisors, general election of the Board of Supervisors, appointment of accounting firm, annual and interim reports, risk evaluation report, compliance report and profit distribution plan were considered and passed at the meetings.

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

Supervisor	Number of meetings attended/ should have attended
Mr. Wu Xiangyang	3/3
Mr. Chen Xinji	3/3
Mr. Hu Zhangming	3/3

2. SITTING IN ON MEETINGS OF THE BOARD AND ATTENDING SHAREHOLDERS' GENERAL MEETINGS

During the Reporting Period, the Company held two Shareholders' general meetings and 10 meetings of the Board. The Board of Supervisors attended or sat in on the relevant meetings and effectively supervised the decision making of material matters including the working report of the Board, working report of the general manager, compliance report, risk evaluation report, regular financial reports, general mandate for issuance of new shares of the Company, the relevant rules and quotas for the financial guarantee and fund lending of the Company, and the amendments to the comprehensive risk management measures of the Company, and considered and examined the implementation of the Board's decisions by the operation management. These supervision duties have been effectively performed. The following table sets forth the relevant meetings that Supervisors attended or sat in on:

Supervisor	Number of Shareholders' general meetings attended/ should have attended	Number of Board meetings sat in on/should have sat in on
Mr. Wu Xiangyang	2/2	10/10
Mr. Chen Xinji	2/2	10/10
Mr. Hu Zhangming	2/2	10/10

3. SUPERVISION OF FINANCIAL POSITION

The Board of Supervisors reviewed the regular reports and financial statements of the Company, reviewed and approved the appointment of accounting firm and the annual and interim profit distribution plans, and received presentations on financial work reports and plans in respect of assets and liabilities, equity and other key financial indicators. The Board of Supervisors is of the view that the Company has effective financial system, comprehensive internal control system, standardized financial procedures and sound financial condition, and the financial report has truthfully and objectively reflected the financial condition and results of the Company.

4. SUPERVISION OF OPERATION AND MANAGEMENT OF THE COMPANY

The Board of Supervisors attended Shareholders' general meetings and sat in on meetings of the Board of Directors to regularly receive reports of the operation management on the general operation of the Company, and monitored the preparation of business objectives for 2023 and the ESG report of the Company, and the amendments to the rules of procedures of specialized committees under the Board of Directors, so as to understand the business situation of the Company promptly and comprehensively. The Board of Supervisors is of the view that the decision making procedures of the Company were in compliance with laws and regulations including the Company Law and the relevant requirements under the Articles of Association, Shareholders' general meetings and meetings of the Board were lawfully convened, and all resolutions were effectively executed during the Reporting Period. Directors and senior management of the Company duly performed their duties in accordance with the authorization and the principle of good faith, and had no actions in violation of the laws and regulations, abuse of power or behaviours that would damage the interest of the Company, shareholders or employees.

5. SUPERVISION OF INTERNAL COMPLIANCE

The Board of Supervisors received presentations on the compliance report, the operational report of compliance management to fully understand:

(1) the compliance and internal control culture construction efforts and implementation of the Company;

(2) the implementation of regulatory requirements and the special inspections on key areas conducted by the Company;

(3) establishment of the compliance system of the Company;

(4) significant changes in policies for the industry in which the Company operates;

(5) compliance training for employees of the Company;

(6) establishment of compliance management team;

(7) assessment of the effectiveness of compliance management;

(8) compliance management work plans, etc.

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

6. CONTINUOUS ENHANCEMENT OF RISK MANAGEMENT SUPERVISION

The Board of Supervisors received presentations on comprehensive risk management and risk assessment reports to fully understand the risk management of the Company, including:

(1) general risk assessment of the industry;

(2) credit risk and operation of the risk indicator system;

(3) ESG risk management system establishment and ESG risk management;

(4) identification and management of various risks;

(5) establishment of the risk management system;

(6) asset allocation;

(7) data market construction, data model verification and stress test operation;

(8) risk research;

(9) future risk management planning.

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

7. MAJOR WORKING PLANS OF THE BOARD OF SUPERVISORS

Further Improving Corporate Management Mechanism

According to the development needs of the Company, the Board of Supervisors will hold meetings in a timely manner as required and attend Shareholders' general meetings and sit in on meetings of the Board of Directors to effectively perform the supervisory duty of the Board of Supervisors. It will continue to improve the corporate management mechanism, further improve corporate governance and support the sustainable and high-quality development of the Company.

Performing Supervisory Role and Enhancing Management of the Company

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

The Board of Supervisors of
Haitong Unitrust International Financial Leasing Co., Ltd.
March 28, 2024

"Articles of Association"	the Articles of Association of Haitong Unitrust International Financial Leasing Co., Ltd.
"Audit Committee"	the audit committee of the Company
"Board"	the board of directors of the Company
"CBIRC"	China Banking and Insurance Regulatory Commission formed by a merger of China Banking Regulatory Commission and China Insurance Regulatory Commission and approved by the National People's Congress of the PRC on March 17, 2018. According to the Decision of the First Meeting of the Fourteenth Session of National People's Congress Regarding the Structural Reform Plan of the State Council (《第十四屆全國人民代表大會第一次會議關於國務院機構改革方案的決定》) (adopted at the first meeting of the fourteenth session of the National People's Congress held on March 10, 2023, the State Administration of Financial Supervision and Management (國家金融監督管理總局) was established on the basis of the China Banking and Insurance Regulatory Commission and officially unveiled on May 18, 2023. The China Banking and Insurance Regulatory Commission was no longer retained
"Company Law"	the Company Law of the People's Republic of China, as amended, supplemented or otherwise modified from time to time
"Controlling Shareholder"	has the meaning ascribed to it under the Listing Rules
"Corporate Governance Code"	the Corporate Governance Code as set out in Appendix 14 to the Hong Kong Listing Rules, as amended, supplemented or otherwise modified from time to time
"CSDC"	China Securities Depository and Clearing Corporation Limited
"Director(s)"	member(s) of the Board of the Company
"Domestic Share(s)"	ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, held by investor(s) in Mainland China
"Environmental, Social and Governance Committee"	the environmental, social and governance committee of the Company
"ESG"	Environment, Social and Governance
"GDP"	gross domestic product
"Group" or "we" or "us"	the Company and its subsidiaries

"H Share(s)"	overseas listed foreign share(s) in the share capital of the Company with a nominal value of RMB1.00 each, subscribed for and traded in HK dollars and listed on the Hong Kong Stock Exchange
"Haitong Securities"	Haitong Securities Co., Ltd., a company incorporated in the PRC in August 1988, the H shares and A shares of which are listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange, respectively. It is the ultimate Controlling Shareholder of the Company
"Haitong Unitrust", or "Company"	Haitong Unitrust International Financial Leasing Co., Ltd.
"Haitong UT Capital"	Haitong UT Capital Group Co., Limited
"HK dollar(s)" or "HKD"	Hong Kong dollar(s), the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Listing Rules" or "Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"IFRS Accounting Standards"	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
"JPY"	the lawful currency of Japan
"Listing"	listing of the H Shares 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 year ended December 31, 2023
"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 the 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
"20th CPC National Congress"	The 20th National Congress of the Communist Party of China
"ABN"	asset-backed notes
"ABS"	asset-backed securities
"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
"hazardous waste treatment"	harmless treatment of hazardous waste
"HRBP"	human resources business partners
"IDC"	Internet Data Center
"inclusive finance"	provision of appropriate and effective financial services at affordable costs to all social classes and groups with a need for financial services (e.g., micro- and small-sized enterprises, farmers, low-income urban population, poor individuals, etc.)
"LIBOR"	London InterBank Offered Rate, used as a benchmark for interest rates on commercial loans, mortgages and debt issuances
"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"	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" Medium- and Small-sized Enterprises (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)
"sensitivity analysis"	a method of uncertainty analysis that identifies sensitive factors that have a significant impact on the economic benefits indicators of investment projects from numerous uncertain factors, and analyzes and calculates their degree of impact and sensitivity on the economic benefits indicators of projects, in order to determine the risk tolerance of projects
"stress test"	prospectively assess risk exposure under stress scenarios, identify and position vulnerable links in the business, improve understanding of the risk profile, and monitor changes in risk

Independent Auditor's Report

pwc 羅兵咸永道

TO THE SHAREHOLDERS OF HAITONG UNITRUST INTERNATIONAL FINANCIAL LEASING CO., LTD.

(incorporated in the People's Republic of China with limited liability)

OPINION

What we have audited

The consolidated financial statements of Haitong Unitrust International Financial Leasing Co., Ltd. (the "Company") and its subsidiaries (the "Group"), which are set out on pages 140 to 262, comprise:

- the consolidated statement of financial position as at December 31, 2023;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The Key audit matter identified in our audit is related to expected credit impairment allowance of finance lease receivables, receivables arising from sale and leaseback arrangements and loans and receivables.

Key Audit Matter	How our audit addressed the Key Audit Matter
Expected credit impairment allowance of finance lease receivables, receivables arising from sale and leaseback arrangements and loans and receivables Refer to Notes 12, 19, 20, 21, and the expected credit loss ("ECL") related disclosures in Notes 3.2, 4 and 48 to the consolidated financial statements. As at December 31, 2023, the Group's finance lease receivables amounted to RMB20,809,416 thousand, and an ECL allowance of RMB916,971 thousand was recognised in the consolidated statement of financial position; receivables arising from sale and leaseback arrangements was RMB81,390,059 thousand and an ECL allowance of RMB1,873,554 thousand was recognised; loans and receivables was RMB425,363 thousand, for which a provision of RMB260,709 thousand was recognised. The ECL on finance lease receivables, receivables arising from sale and leaseback arrangements and loans and receivables recognised in the consolidated statement of profit or loss for the year ended December 31, 2023 amounted to RMB1,430,142 thousand.	We obtained an understanding of the internal controls relating to ECL for finance lease receivables, receivables arising from sale and leaseback arrangements and loans and receivables. We assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as the complexity of estimation models used, the subjectivity of significant management judgments and assumptions, and susceptibility to management bias. We evaluated and tested the internal controls over the measurement of ECL for finance lease receivables, receivables arising from sale and leaseback arrangements and loans and receivables, primarily comprising: 1. Governance over ECL models, including the selection, approval and application of the ECL modelling methodology; and the internal controls relating to the ongoing monitoring and optimization of the models; 2. Internal controls relating to significant management judgments and assumptions, including the assessment and approval of portfolio segmentation, model selections, parameters estimation, the judgment of significant increase in credit risk, or defaults or credit-impaired, and forward-looking measurement; 3. Internal controls over the accuracy and completeness of key inputs used by the models; 4. Internal controls relating to estimation of future cash flows and calculations of present values of such cash flows for finance lease receivables, receivables arising from sale and leaseback arrangements and loans and receivables using DCF to calculate loss allowances.

Key Audit Matter	How our audit addressed the Key Audit Matter
The Group assessed whether or not finance lease receivables, receivables arising from sale and leaseback arrangements and loans and receivables had a significant increase in credit risk since their initial recognition, or a default was incurred, and applied a three-stage impairment model approach to calculate their ECL. For finance lease receivables, receivables arising from sale and leaseback arrangements and loans and receivables that are classified as stage 1 or stage 2 and those classified as stage 3 with individual amount that are relatively insignificant, the Group assessed loss allowance using the risk parameter modelling approach that incorporated relevant key parameters, including probability of default, loss given default and exposure at default. For finance lease receivables, receivables arising from sale and leaseback arrangements and loans and receivables classified as stage 3 with individual amount that are relatively significant, the Group assessed loss allowance by estimating the future cash flows from the business. The measurement of ECL involves significant management judgments and assumptions, primarily including: 1. Segmentation of business operations sharing similar credit risk characteristics, selection of appropriate models and determination of relevant key measurement parameters; 2. Criteria for determining whether or not there was a significant increase in credit risk, or a default or impairment loss was incurred; 3. Economic indicators for forward-looking measurement, and the application of economic scenarios and weightings; and 4. The estimated future cash flows for finance lease receivables, receivables arising from sale and leaseback arrangements and loans and receivables for which discount cash flow ("DCF") model was used to calculate ECL.	The substantive audit procedures we performed primarily comprising: 1. Based on the risk profile of the asset portfolio, we evaluated the reasonableness of the portfolio segmentation. By comparing with industry practice, we assessed the reasonableness of modelling methodologies for ECL measurement of different portfolios. We examined the calculation for the model measurement on selected samples, to test whether or not the models reflect the modelling methodologies documented by the Group. 2. We examined key data inputs to the ECL models on selected samples, including historical data and data at the measurement date, to assess their accuracy and completeness. 3. We selected samples, in consideration of the financial information and non-financial information of the borrowers, relevant external evidence and other factors, to assess the appropriateness of the Group's criteria of significant increase in credit risk, defaults and credit-impaired finance lease receivables, receivables arising from sale and leaseback arrangements and loans and receivables. 4. For forward-looking measurements, we assessed the Group's selection of forward-looking information, including economic indicators, economic scenarios and weightings. We further tested the reasonableness of the prediction of economic indicators by comparing with available external expert estimates. In addition, we performed sensitivity analysis on the economic indicators and weightings under different economic scenarios. 5. For finance lease receivables, receivables arising from sale and leaseback arrangements and loans and receivables that DCF model was used to calculate ECL, we examined, on a sample basis, the forecasted future cash flows prepared by the Group based on the financial information of borrowers and guarantors, latest collateral valuations and other available information together with discount rates used to support the computation of ECL.

Key Audit Matter	How our audit addressed the Key Audit Matter
For measuring ECL, the Group adopted complex models, used of numerous parameters and data inputs, and applied significant management judgments and assumptions, and the inherent risk is considered significant. In addition, the amount of finance lease receivables, receivables arising from sale and leaseback arrangements and loans and receivables and the related ECL allowance and provision is material. In view of these reasons, we identified this as a key audit matter.	Based on our procedures performed, we considered that the models, relevant parameters and data, significant judgments and assumptions adopted in the ECL measurement together with the measurement results were acceptable.

OTHER INFORMATION

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Jack Li.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 28 March 2024

Consolidated Statement of Profit or Loss for the Year Ended December 31, 2023

(All amounts in thousands of RMB unless otherwise stated)

	Notes	Year ended December 31 2023	2022
Revenue			
Finance lease income	5	**1,722,243**	2,302,792
Interest income from sale and leaseback arrangements	5	**5,541,080**	4,408,262
Operating lease income	5	**590,328**	540,145
Service fee income	5	**544,685**	1,142,428
Factoring interest income	5	**—**	111,156
Interest income from entrusted loans and other loans	5	**13,399**	19,866
Total revenue		**8,411,735**	8,524,649
Net investment losses	6	**(81,484)**	(59,777)
Other income, gains or losses	7	**618,465**	437,150
Loss from derecognition of financial assets measured at amortised cost		**(35,731)**	(40,076)
Total revenue and other income, gains or losses		**8,912,985**	8,861,946
Depreciation and amortisation	8	**(385,816)**	(369,762)
Staff costs	9	**(803,580)**	(854,280)
Interest expenses	10	**(3,636,143)**	(3,541,869)
Other operating expenses	11	**(389,918)**	(388,810)
Impairment losses under expected credit loss model	12	**(1,520,876)**	(1,591,867)
Other impairment losses		**(24,501)**	(59,166)
Total expenses		**(6,760,834)**	(6,805,754)
Profit before income tax		**2,152,151**	2,056,192
Income tax expense	13	**(544,675)**	(523,303)
Profit for the year		**1,607,476**	1,532,889

The notes on pages 150 to 262 are part of the consolidated financial statements.

Consolidated Statement of Profit or Loss for the Year Ended December 31, 2023

(All amounts in thousands of RMB unless otherwise stated)

	Notes	Year ended December 31 2023	2022
Attributable to:			
Owners of the Company			
— Ordinary shareholders		**1,468,531**	1,433,553
— Other equity instrument holders		**136,842**	97,903
Non-controlling interests		**2,103**	1,433
		1,607,476	1,532,889
Earnings per share attributable to ordinary shareholders of the Company (Expressed in RMB Yuan per share)			
— Basic	14	**0.18**	0.17
— Diluted	14	**N/A**	N/A

The notes on pages 150 to 262 are part of the consolidated financial statements.

Consolidated Statement of Comprehensive Income for the Year Ended December 31, 2023

(All amounts in thousands of RMB unless otherwise stated)

	Year ended December 31	
	2023	2022
Profit for the year	**1,607,476**	1,532,889
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**18,743**	84,223
Fair value gain on cash flow hedges	**29,871**	45,520
Other comprehensive income for the year, net of income tax	**48,614**	129,743
Total comprehensive income for the year	**1,656,090**	1,662,632
Attributable to:		
Owners of the Company		
— Ordinary shareholders	**1,517,145**	1,563,296
— Other equity instrument holders	**136,842**	97,903
Non-controlling interests	**2,103**	1,433
	1,656,090	1,662,632

The notes on pages 150 to 262 are part of the consolidated financial statements.

Consolidated Statement of Financial Position as at December 31, 2023

(All amounts in thousands of RMB unless otherwise stated)

	Notes	December 31, 2023	December 31, 2022
Non-current assets			
Property and equipment	16	**7,127,725**	7,307,246
Right-of-use assets	17	**32,957**	45,604
Intangible assets	18	**57,278**	17,843
Finance lease receivables	19	**11,248,040**	7,102,584
Receivables arising from sale and leaseback arrangements	20	**40,593,188**	47,847,820
Loans and receivables	21	**1,476**	5,130
Financial assets at fair value through profit or loss	26	**24,788**	107,353
Deferred tax assets	22	**1,856,206**	1,676,878
Other assets	23	**2,715,261**	2,778,452
Total non-current assets		**63,656,919**	66,888,910
Current assets			
Finance lease receivables	19	**8,644,405**	12,355,870
Receivables arising from sale and leaseback arrangements	20	**38,923,317**	36,702,132
Loans and receivables	21	**163,178**	343,387
Other assets	23	**1,127,550**	1,186,172
Accounts receivable	24	**107,039**	196,956
Financial assets held under resale agreements	25	**199,398**	—
Financial assets at fair value through profit or loss	26	**1,105,208**	605,987
Derivative financial assets	27	**88,275**	113,356
Cash and bank balances	28	**9,335,839**	6,120,974
Total current assets		**59,694,209**	57,624,834
Total assets		**123,351,128**	124,513,744

The notes on pages 150 to 262 are part of the consolidated financial statements.

Consolidated Statement of Financial Position
as at December 31, 2023

(All amounts in thousands of RMB unless otherwise stated)

	Notes	December 31, 2023	December 31, 2022
Current liabilities			
Borrowings	29	**23,688,060**	25,672,450
Derivative financial liabilities	27	**5,719**	76,171
Accrued staff costs	30	**314,289**	363,352
Accounts payable	31	**277,034**	201,746
Bonds payable	32	**23,730,125**	23,883,071
Income tax payable		**568,113**	679,521
Other liabilities	33	**5,281,661**	6,684,475
Total current liabilities		**53,865,001**	57,560,786
Net current assets		**5,829,208**	64,048
Total assets less current liabilities		**69,486,127**	66,952,958
Equity			
Share capital	34	**8,235,300**	8,235,300
Other equity instruments	35	**3,430,674**	2,642,903
Reserves			
— Capital reserve	36	**2,467,526**	2,486,007
— Surplus reserve	36	**826,943**	713,394
— Hedging reserve	36	**98,107**	68,236
— Translation reserve	36	**27,247**	8,504
Retained profits		**5,110,081**	4,628,044
Equity attributable to owners of the Company		**20,195,878**	18,782,388
— Ordinary shareholders		**16,765,204**	16,139,485
— Other equity instrument holders		**3,430,674**	2,642,903
Non-controlling interests		**49,435**	44,276
Total equity		**20,245,313**	18,826,664

The notes on pages 150 to 262 are part of the consolidated financial statements.

Consolidated Statement of Financial Position as at December 31, 2023

(All amounts in thousands of RMB unless otherwise stated)

	Notes	December 31, 2023	December 31, 2022
Non-current liabilities			
Borrowings	29	**22,105,308**	23,146,831
Bonds payable	32	**21,657,682**	18,670,205
Deferred tax liabilities	22	**13,145**	13,360
Other liabilities	33	**5,464,679**	6,295,898
Total non-current liabilities		**49,240,814**	48,126,294
Total equity and non-current liabilities		**69,486,127**	66,952,958

The notes on pages 150 to 262 are part of the consolidated financial statements.

The consolidated financial statements on pages 140 to 262 were approved and authorised for issue by the Board of Directors on March 28, 2024 and signed on behalf by:

Ding Xueqing
Chairman of the Board/
Executive Director

Zhou Jianli
Executive Director/
General Manager

Consolidated Statement of Changes in Equity for the Year Ended December 31, 2023

(All amounts in thousands of RMB unless otherwise stated)

	Attributable to owners of the Company									
	Share capital (Note 34)	Capital reserve (Note 36)	Surplus reserve (Note 36)	Hedging reserve (Note 36)	Translation reserve (Note 36)	Retained profits	Ordinary shareholders sub-total	Other equity instruments (Note 35)	Non-controlling interest	Total equity
At December 31, 2022	8,235,300	2,486,007	713,394	68,236	8,504	4,628,044	16,139,485	2,642,903	44,276	18,826,664
Profit for the year	–	–	–	–	–	1,468,531	1,468,531	136,842	2,103	1,607,476
Other comprehensive income for the year	–	–	–	29,871	18,743	–	48,614	–	–	48,614
Total comprehensive income for the year	–	–	–	29,871	18,743	1,468,531	1,517,145	136,842	2,103	1,656,090
Capital injection by non-controlling interests (Note 50)	–	–	–	–	–	–	–	–	3,056	3,056
Issue of other equity instruments	–	(18,481)	–	–	–	–	(18,481)	2,013,023	–	1,994,542
Redemption of other equity instruments	–	–	–	–	–	–	–	(1,130,000)	–	(1,130,000)
Appropriation to surplus reserve	–	–	113,549	–	–	(113,549)	–	–	–	–
Distribution to other equity instruments	–	–	–	–	–	–	–	(232,097)	–	(232,097)
Dividends recognised as distribution (Note 15)	–	–	–	–	–	(872,942)	(872,942)	–	–	(872,942)
Other	–	–	–	–	–	(3)	(3)	3	–	–
At December 31, 2023	8,235,300	2,467,526	826,943	98,107	27,247	5,110,081	16,765,204	3,430,674	49,435	20,245,313

The notes on pages 150 to 262 are part of the consolidated financial statements.

Consolidated Statement of Changes in Equity for the Year Ended December 31, 2023

(All amounts in thousands of RMB unless otherwise stated)

	Attributable to owners of the Company									
	Share capital (Note 34)	Capital reserve (Note 36)	Surplus reserve (Note 36)	Hedging reserve (Note 36)	Translation reserve (Note 36)	Retained profits	Ordinary shareholders sub-total	Other equity instruments (Note 35)	Non-controlling interest	Total equity
At December 31, 2021	8,235,300	2,492,962	585,260	22,716	(75,719)	3,890,937	15,151,456	2,384,512	83,675	17,619,643
Profit for the year	–	–	–	–	–	1,433,553	1,433,553	97,903	1,433	1,532,889
Other comprehensive income for the year	–	–	–	45,520	84,223	–	129,743	–	–	129,743
Total comprehensive income for the year	–	–	–	45,520	84,223	1,433,553	1,563,296	97,903	1,433	1,662,632
Capital injection by non-controlling interests (Note 50)	–	–	–	–	–	–	–	–	3,915	3,915
Issue of other equity instruments	–	–	–	–	–	–	–	1,462,009	–	1,462,009
Redemption of other equity instruments	–	(6,955)	–	–	–	–	(6,955)	(1,193,045)	–	(1,200,000)
Appropriation to surplus reserve	–	–	128,134	–	–	(128,134)	–	–	–	–
Distribution to other equity instruments	–	–	–	–	–	–	–	(108,553)	–	(108,553)
Dividends recognised as distribution (Note 15)	–	–	–	–	–	(568,235)	(568,235)	–	–	(568,235)
Other	–	–	–	–	–	(77)	(77)	77	(44,747)	(44,747)
At December 31, 2022	8,235,300	2,486,007	713,394	68,236	8,504	4,628,044	16,139,485	2,642,903	44,276	18,826,664

The notes on pages 150 to 262 are part of the consolidated financial statements.

Consolidated Statement of Cash Flows for the Year Ended December 31, 2023

(All amounts in thousands of RMB unless otherwise stated)

	Year ended December 31	
	2023	2022
OPERATING ACTIVITIES		
Profit before income tax	**2,152,151**	2,056,192
Adjustments for:		
Interest expenses	**3,636,143**	3,541,869
Interest income from deposits with financial institutions	**(121,266)**	(96,410)
Impairment losses recognised	**1,545,377**	1,651,033
Depreciation and amortisation	**385,816**	369,762
Losses on disposal of property and equipment	**75**	9
Foreign exchange losses, net	**43,079**	22,876
Net gains arising from financial assets at fair value through profit or loss and financial assets measured at amortized cost	**(13,162)**	(38,330)
Unrealised fair value changes	**94,646**	142,312
Operating cash flows before movements in working capital	**7,722,859**	7,649,313
(Increase)/decrease in finance lease receivables	**(823,649)**	12,735,801
Decrease/(increase) in receivables arising from sale and leaseback arrangements	**4,090,147**	(29,968,534)
Decrease in loans and receivables	**86,679**	6,035,031
Decrease/(increase) in accounts receivable	**81,851**	(148,919)
Increase in other assets	**(13,762)**	(1,030,081)
(Decrease)/increase in accrued staff costs	**(49,063)**	77,186
Increase in accounts payable	**75,288**	167,194
Decrease in other liabilities	**(2,484,113)**	(526,794)
Cash generated from/(used in) operations	**8,686,237**	(5,009,803)
Income taxes paid, net	**(850,403)**	(653,187)
Interest received	**121,266**	96,410
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	**7,957,100**	(5,566,580)

The notes on pages 150 to 262 are part of the consolidated financial statements.

Consolidated Statement of Cash Flows for the Year Ended December 31, 2023

(All amounts in thousands of RMB unless otherwise stated)

	Notes	Year ended December 31 2023	2022
INVESTING ACTIVITIES			
Proceeds on sale of financial assets held under resale agreements		1,700,679	11,530,092
Proceeds on sale of financial assets measured at amortised cost		—	375,810
Proceeds on sale of financial assets at fair value through profit or loss		4,353,999	5,002,742
Income received from financial investments		12,837	38,330
Disposal of property and equipment		40	86
Disposal of a subsidiary		—	132,053
Purchase of financial assets held under resale agreements		(1,900,727)	(11,530,092)
Purchase of financial assets at fair value through profit or loss		(4,854,500)	(3,680,100)
Purchase of property and equipment and intangible assets		(128,295)	(1,689,095)
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES		(815,967)	179,826
FINANCING ACTIVITIES			
Proceeds from issuance of other equity instruments		2,000,000	1,470,000
Proceeds from capital injection of the non-controlling investors		3,056	3,915
Proceeds from borrowings	40	26,160,701	34,878,194
Proceeds from issuance of bonds	40	35,710,000	36,097,920
Repayments of borrowings	40	(29,308,626)	(30,458,954)
Repayments of bonds	40	(33,010,225)	(31,850,913)
Redemption of other equity instruments		(1,130,000)	(1,200,000)
Repayments of lease liabilities	40	(25,837)	(51,964)
Payments for interest		(3,356,219)	(3,213,350)
Payments for the costs of borrowings	40	(92,230)	(56,096)
Payments for the costs of bonds issuance	40	(141,074)	(140,755)
Payments for the costs of other equity instruments issuance		(12,939)	(3,481)
Payments for distribution of other equity instruments	40	(105,197)	(108,553)
Payments for dividends	40	(872,942)	(568,235)
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES		(4,181,532)	4,797,728
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		2,959,601	(589,026)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	39	5,409,483	5,997,815
Effect of foreign exchange rate changes		4,967	694
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	39	8,374,051	5,409,483

The notes on pages 150 to 262 are part of the consolidated financial statements.

1. GENERAL INFORMATION

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

The approved business scope of the Company and its subsidiaries (collectively the "Group") mainly includes the finance lease business, lease business, purchase of leased assets from both domestic and international suppliers, residual value disposal and maintenance of leased assets, advisory services and guarantee of lease transactions, commercial factoring business related to the main business and other services allowed by relevant laws and regulations.

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

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ISSUED BY THE INTERNATIONAL ACCOUNTING STANDARDS BOARD ("IFRS ACCOUNTING STANDARDS")

2.1 Amendments to IFRS Accounting Standards that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRS Accounting Standards issued by the International Accounting Standards Board ("IASB"), for the first time, which are mandatorily effective for the annual periods beginning on or after January 1, 2023 for the preparation of the consolidated financial statements:

IFRS 17	Insurance Contracts and the related Amendments
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	International Tax Reform — Pillar Two Model Rules
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies

The application of the amendments to IFRS Accounting Standards and IASs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ISSUED BY THE INTERNATIONAL ACCOUNTING STANDARDS BOARD ("IFRS ACCOUNTING STANDARDS") (CONTINUED)

2.2 New and amendments to IFRS Accounting Standards in issue but not yet effective

The Group has not early applied the following new and amendments to IFRS Accounting Standards that have been issued but are not yet effective:

Amendments to IAS 1	Classification of Liabilities as Current or Non-current[1]
Amendments to IAS 1	Non-current Liabilities with Covenants[1]
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback[1]
Amendments to IAS 7 and IFRS 7	Supplier finance arrangements[1]
Amendments to IAS 21	Lack of Exchangeability[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

1 Effective for annual periods beginning on or after January 1, 2024.

2 Effective for annual periods beginning on or after January 1, 2025.

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING POLICY INFORMATION

3.1 Basis of preparation of consolidated financial statements

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

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

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING POLICY INFORMATION (CONTINUED)

3.1 Basis of preparation of consolidated financial statements (continued)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are accounted for in accordance with IFRS 16 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets.

For financial instruments which are transacted at fair value and a valuation technique that unobservable input is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policies

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policies (continued)

Basis of consolidation (continued)

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interest.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRS Accounting Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policies (continued)

Business combinations (continued)

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

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

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

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policies (continued)

Business combinations (continued)

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

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

Investments in subsidiaries

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

Property and equipment

Property and equipment for use in the supply of services, or for administrative purposes (other than construction in progress as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Construction in progress is carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of items of property and equipment (other than construction in progress) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policies (continued)

Property and equipment (continued)

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The estimated residual value rates and useful lives of each class of property and equipment, other than construction in progress, are as follows:

	Estimated residual value rates	Estimated useful lives
Electronic equipment	5%	3–5 years
Motor vehicles	5%	6 years
Office equipment	5%	3–5 years
Leasehold improvements	nil	3–5 years
Leasehold land and buildings	5%	30–35 years

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

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

When aircraft with in-place leases are purchased, the Group identifies, measures and accounts for lease premium assets. Lease premium assets represent the value of acquired leases with contractual rent payments that are materially above the market lease rentals at the date of acquisition. Lease premium assets are amortised on a straight-line basis over the remaining lease term and recorded as a component of depreciation and amortisation, and are presented under property and equipment.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policies (Continued)

Investment properties

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

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

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

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

Properties under development/properties for sale

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

Properties under development are transferred to properties for sale upon completion.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policies (continued)

Impairment on operating lease assets and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its operating lease assets and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of operating lease assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. The impairment loss is allocated on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policies (continued)

Leases

Definition of a lease

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

For contracts entered into or modified on or after the date of initial application of IFRS 16 or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component on the basis of their relative stand-alone prices and are accounted for by applying other applicable standards.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of properties that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

Right-of-use assets (continued)

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

Lease liabilities (continued)

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment; or

- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities within “borrowings”.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability, less any lease incentives receivable, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset.

When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

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

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

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

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognised as receivables at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Initial direct costs (other than those incurred by manufacturer or dealer lessors) are included in the initial measurement of the net investments in the leases. Interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term.

Interest and rental income which are derived from the Group's ordinary course of business are presented as revenue.

Refundable rental deposits

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policies (continued)

Leases (continued)

The Group as a lessor (continued)

Lease modification

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

(i) Operating leases

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

(ii) Finance leases

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

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

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

Sale and leaseback transactions

The Group applies the requirements of IFRS 15 *Revenue from Contracts with Customers* to assess whether sale and leaseback transaction constitutes a sale by the Group.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policies (continued)

Leases (continued)

Sale and leaseback transactions (continued)

The Group as a buyer-lessor

For a transfer of asset that does not satisfy the requirements of IFRS 15 to be accounted for as a sale of asset, the Group as a buyer-lessor does not recognise the transferred asset and recognises a receivable arising from sale and leaseback arrangements equal to the transfer proceeds within the scope of IFRS 9.

For a transfer of asset that satisfies the requirements of IFRS 15 to be accounted for as a sale of asset, the Group as a buyer-lessor accounts for the purchase of the asset applying applicable standards, and for the lease applying the lessor accounting requirements in accordance with IFRS 16.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into RMB, which is the presentation currency of the Group, using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period or the exchange rates similar with the spot exchange rate on the date of the transaction. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (and attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the shareholders of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policies (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, or construction of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. For properties under development for which revenue is recognised over time, the Group ceases to capitalise borrowing costs as soon as the properties are ready for the Group's intended sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income, gains or losses".

Employee benefits

Short-term and other long-term employee benefits

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

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

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policies (continued)

Employee benefits (continued)

Social welfare

Social welfare expenditure refers to payments for employees' social welfare system established by the government of the PRC, including social pension insurance, health care insurance, housing funds and other social welfare contributions. The Group contributes on a regular basis to these funds based on certain percentage of the employees' salaries and the contributions are recognised in profit or loss for the period when employees have rendered service entitling them to the contribution.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit/loss before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policies (continued)

Taxation (continued)

Deferred tax (continued)

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

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

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

Current and deferred tax for the year

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policies (continued)

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest which are derived from the Group's ordinary course of business are presented as revenue.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 *Business Combinations* applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or

- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that is required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "net investment gains or losses" line item.

Impairment of financial assets and other items subject to impairment assessment under IFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets including cash and bank balances, receivables arising from sale and leaseback arrangements, loans and receivables, accounts receivable, financial assets held under resale agreements and other financial assets, and other items including finance lease receivables which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument (referred to as Stage 2 and Stage 3). In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date (referred to as Stage 1). Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for accounts receivable. The ECL on these assets are assessed individually for debtors with significant balances and collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Definition of credit-impaired and default financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the borrower or issuer;

(b) the contractual payments are past due more than 90 days;

(c) the borrower is unlikely to pay its credit obligations to the Group in full;

(d) the disappearance of an active market for that financial asset because of financial difficulties; or

(e) other objective evidences of credit-impairment.

When assessing the likelihood of the borrower to pay its credit obligation, the Group takes into account both qualitative and quantitative indicators. Qualitative indicators, such as the breach of covenants, and quantitative indicators, such as overdue status and non-payment on another obligation of the same counterparty are key inputs in this analysis. The Group uses a variety of sources of information to assess credit-impairment which are either developed internally or obtained from external sources.

It may not be possible to identify a single discrete event. Instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Group assesses whether financial assets that are measured at amortised cost are credit-impaired at each reporting date.

In general, the Group considers a financial instrument is in default, when it is credit-impaired.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Significant increase in credit risk

The Group monitors all financial assets that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime ECL rather than 12-month ECL. The Group's accounting policy is to use the practical expedient that financial assets with 'low' credit risk at the reporting date are deemed not to have had a significant increase in credit risk. As a result, the Group monitors all financial assets that are subject to impairment for significant increase in credit risk.

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- the contractual payments are past due more than 30 days;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Significant increase in credit risk (continued)

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. As at December 31, 2023, the treasury bonds held under resale agreements was designated as a low credit risk debt instrument.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on receivable using a provision matrix taking into consideration historical credit loss experience and forward looking information that is available without undue cost or effort. The parameters and assumptions involved in ECL model are described below:

(i) Exposure at Default (EAD): EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months or over the remaining lifetime.

(ii) Probabilities of Default (PD): The PD refers to estimated value of the likelihood that default will occur within certain period, which is estimated at a certain time point.

(iii) Loss given Default (LGD): LGD refers to estimated value of loss resulting from default, which is based on the gap between due contractual cash flows and the Group's expected amount received, with the consideration of collateral's expected future cash flows receivable.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a finance lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with IFRS 16.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Measurement and recognition of ECL (continued)

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

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

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

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

For credit-impaired financial assets with individual amount that are relatively significant, expected credit losses are measured as the differences between the present value of estimated cash flows discounted at the original effective interest rate and the asset's gross carrying amount.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, except for finance lease receivables, receivables arising from sale and leaseback arrangements, loans and receivables, other assets, accounts receivable, financial assets held under resale agreements and cash and bank balances, where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Derecognition of financial assets (continued)

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss, with the exception of equity investment designated as measured at FVTOCI, where the cumulative gain or loss previously recognised in other comprehensive income is not subsequently reclassified to profit or loss, but is transferred to retained profits.

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

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

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, direct issue costs are deducted from equity.

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

Financial liabilities

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

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which IFRS 3 applies, (ii) held for trading, or (iii) it is designated as at FVTPL.

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Financial liabilities at FVTPL (continued)

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

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

Financial liabilities at amortised cost

Financial liabilities including borrowings, accounts payable, bonds payable, bank acceptance bills and other payables are subsequently measured at amortised cost, using the effective interest method.

Derecognition/modification of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, canceled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

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

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

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

- the change is necessary as a direct consequence of interest rate benchmark reform; and

- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (i.e. the basis immediately preceding the change).

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

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

All derivatives are recognised as assets when the fair value is positive and as liabilities when the fair value is negative.

Offsetting a financial asset and a financial liability

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policies (continued)

Financial instruments (continued)

Hedge accounting

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

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

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

Assessment of hedging relationship and effectiveness

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

- there is an economic relationship between the hedged item and the hedging instrument;

- the effect of credit risk does not dominate the value changes that result from that economic relationship; and

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policies (continued)

Financial instruments (continued)

Hedge accounting (continued)

Cash flow hedges

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

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

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

Discontinuation of hedge accounting

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policies (continued)

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Revenue recognition

The Group recognises revenue to depict the transfer of promised services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services. A 5-step approach to revenue recognition is applied:

- Step 1: Identify the contract (s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a service (or a bundle of services) that is distinct or a series of distinct services that are substantially the same.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policies (continued)

Revenue recognition (continued)

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct service.

A contract asset represents the Group's right to consideration in exchange for services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policies (continued)

Revenue recognition (continued)

The Group recognises revenue from the following major sources:

(i) Finance lease income

The Group's accounting policy for recognition of revenue from finance leases is described in the accounting policy for leases above.

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

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

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a timely basis using the effective interest method, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

(iii) Rental income from operating leases

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leases above.

(iv) Service fee income

Service fee income is from contracts with customers and recognised at a point in time when the services are completed under the terms of each service engagement and the revenue can be measured reliably, since only by that time the Group has a present right to payment from the customers for the service performed.

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3.2, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying accounting policies

The following are the critical judgments, apart from those estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Classification of leases

The Group has entered into certain lease businesses whereby the Group has determined that it has transferred substantially all the risks and rewards incidental to ownership of the assets held for lease businesses to the lessees, as at the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset. Accordingly, the Group has excluded the assets held for lease businesses under such leases from its consolidated statement of financial position and instead recognised finance lease receivables and receivables arising from sale and leaseback arrangements as disclosed in Notes 19 and 20. Otherwise the Group includes the assets held for lease businesses under operating lease in property and equipment. The determination of whether the Group has transferred substantially all the risks and rewards incidental to ownership depends on an assessment of the relevant arrangements relating to the lease, which involved critical judgments by management.

Classification of financial assets

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

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of finance lease receivables, receivables arising from sale and leaseback arrangements and loans and receivables

The Group reviews its finance lease receivables, receivables arising from sale and leaseback arrangements and loans and receivables to assess impairment on a regular basis. The methodologies and assumptions used in estimating the ECL are reviewed regularly. This includes the selection of models, inputs and determination of whether the credit risk of an asset has significantly increased by taking into account forward looking information. The impairment provision of ECL is sensitive to changes in estimates which involve high degree of judgment and uncertainty.

Impairment of equipment held for operating lease business

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

Fair value of financial assets

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

Income taxes

There are certain transactions and activities for which the ultimate tax determination is subject to the final approval of annual tax return the group entities file with relevant tax authorities. Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will impact the current income tax and deferred income tax in the period during which such a determination is made.

(All amounts in thousands of RMB unless otherwise stated)

5. REVENUE AND SEGMENT INFORMATION

	Year ended December 31	
	2023	2022
Finance lease income (Note i)	**1,722,243**	2,302,792
Interest income from sale and leaseback arrangements (Note ii)	**5,541,080**	4,408,262
Operating lease income	**590,328**	540,145
Service fee income (Note iii)	**544,685**	1,142,428
Interest income from entrusted loans and other loans (Note ii)	**13,399**	19,866
Factoring interest income (Note ii)	**—**	111,156
Total	**8,411,735**	8,524,649

Notes:

(i) The Group has no variable lease payments which is not included in the measurement of finance lease receivables for the years ended December 31, 2023 and 2022.

(ii) The interest income from sale and leaseback arrangements, factoring and entrusted loans and other loans 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. The Group mainly offers various consulting services to customers. The scope of services usually covers management consulting services for suppliers, industrial chains supporting services, operation and maintenance management consulting services for enterprises, support services for enterprises' digital transformation and other type of consulting services.

Segment reporting

The management of the Company has determined that the Group has only one operating and reportable segment throughout the reporting period. The management of the Company reviews the consolidated statement of financial position and results of the Group as a whole for the purposes of allocating resources and assessing performance of the Group.

Geographical information

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

Information about major customers

During the years ended December 31, 2023 and 2022, there was no revenue from transactions with a single external customer amounting to 10% or more of the Group's total revenue.

(All amounts in thousands of RMB unless otherwise stated)

6. NET INVESTMENT LOSSES

	Year ended December 31	
	2023	2022
Net losses arising from derivative financial instruments	–	(8)
Net losses arising from financial assets at fair value through profit or loss	(81,809)	(60,377)
Other	325	608
Total	(81,484)	(59,777)

7. OTHER INCOME, GAINS OR LOSSES

	Year ended December 31	
	2023	2022
Government grants (Note)	275,732	202,863
Interest income from deposits with financial institutions	121,266	96,410
Interest income from asset-backed securities	84,488	69,622
Interest income from financial assets held under resale agreements	193	1,134
Losses on disposal of finance lease assets	(1,298)	(15,178)
Foreign exchange losses, net	(43,079)	(22,876)
Other	181,163	105,175
Total	618,465	437,150

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, etc.

8. DEPRECIATION AND AMORTISATION

	Year ended December 31	
	2023	2022
Depreciation of property and equipment	351,691	313,136
Depreciation of right-of-use assets	25,671	49,945
Amortisation of intangible assets	8,454	6,681
Total	385,816	369,762

(All amounts in thousands of RMB unless otherwise stated)

9. STAFF COSTS

	Year ended December 31	
	2023	2022
Salaries, bonus and allowances	**573,253**	650,746
Social welfare	**193,472**	176,769
Other	**36,855**	26,765
Total	**803,580**	854,280

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

10. INTEREST EXPENSES

	Year ended December 31	
	2023	2022
Interest on liabilities:		
Bank and other borrowings	**2,009,503**	2,061,390
Bonds payables	**1,624,963**	1,476,262
Lease liabilities	**1,677**	4,217
Total	**3,636,143**	3,541,869

(All amounts in thousands of RMB unless otherwise stated)

11. OTHER OPERATING EXPENSES

	Year ended December 31	
	2023	2022
Advisory expenses	**87,199**	132,744
Business traveling expenses	**77,100**	55,096
Electronic equipment operational expenses	**37,968**	9,861
Tax and surcharges	**27,605**	44,640
Expenses incurred in recovery of leased assets	**24,723**	33,062
Administrative expenses	**24,304**	20,048
Communication expenses	**16,790**	16,591
Property management expenses	**13,795**	14,040
Business development expenses	**9,008**	10,938
Bank charges	**5,824**	10,095
Auditor's fee	**3,250**	2,942
Other	**62,352**	38,753
Total	**389,918**	388,810

12. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL

	Year ended December 31	
	2023	2022
Impairment loss recognised/(reversed) on:		
— finance lease receivables	**389,658**	1,195,233
— receivables arising from sale and leaseback arrangements	**943,300**	503,014
— loans and receivables	**97,184**	(108,329)
— accounts receivable	**1,107**	(6,066)
— financial assets held under resale agreements	**650**	—
— bank balances	**(20)**	24
— other assets	**88,997**	7,991
Total	**1,520,876**	1,591,867

(All amounts in thousands of RMB unless otherwise stated)

13. INCOME TAX EXPENSES

	Year ended December 31	
	2023	2022
Current tax:		
PRC Enterprise Income Tax	**732,557**	578,545
Hong Kong Profit Tax	**10,616**	15,616
Other jurisdictions	**90**	141
Sub-total	**743,263**	594,302
Deferred tax	**(198,588)**	(70,999)
Total	**544,675**	523,303

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

The reconciliation between the income tax expense at the statutory tax rate of 25% and the effective tax rate is as follows:

	Year ended December 31	
	2023	2022
Profit before income tax	**2,152,151**	2,056,192
Tax at the statutory tax rate of 25%	**538,038**	514,048
Tax effect of expenses not deductible for tax purpose	**37,564**	36,482
Tax effect of income not taxable and exemptions for tax purpose	**(1,429)**	(3,089)
Tax effect of interest expenses of other equity instruments	**(986)**	(3,544)
Effect of different tax rates of subsidiaries	**(28,512)**	(20,594)
Income tax expense for the year	**544,675**	523,303

(All amounts in thousands of RMB unless otherwise stated)

14. EARNINGS PER SHARE

	Year ended December 31	
	2023	2022
Earnings for the purpose of basic and diluted earnings per share:		
Profit for the year attributable to ordinary shareholders of the Company	**1,468,531**	1,433,553
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)	**0.18**	0.17
Diluted earnings per share (Expressed in RMB Yuan per share)	**N/A**	N/A

No diluted earnings per share for the years ended December 31, 2023 and 2022 were presented as there were no potential ordinary shares in issue for the years.

15. DIVIDENDS

Subsequent to the end of the reporting period, based on 8,235,300,000 ordinary shares, the Board of Directors of the Company declared a cash dividend of RMB0.42 per 10 shares (tax inclusive) in respect of the year ended December 31, 2023 (the final dividend), in an aggregate amount of RMB345,882,600.00 (tax inclusive), which is subject to approval by the shareholders in the 2023 annual general meeting to be held by the Company (2022 final dividend in an aggregate amount of RMB477,647,400.00 (tax inclusive) was recognised and paid in 2023).

The interim cash dividend in respect of the six months ended June 30, 2023 was RMB0.48 per 10 shares (tax inclusive), in an aggregate amount of RMB395,294,400.00 (tax inclusive) recognised in current year (2022 interim dividend: RMB329,412,000.00 (tax inclusive)).

(All amounts in thousands of RMB unless otherwise stated)

16. PROPERTY AND EQUIPMENT

	December 31, 2023	December 31, 2022
Equipment held for operating lease business	**5,156,559**	5,293,471
Property and equipment held for administrative purpose	**1,801,960**	1,804,180
Other	**169,206**	209,595
Total	**7,127,725**	7,307,246

As at December 31, 2023, the net carrying amount of the Group's property and equipment secured as collateral for the Group's bank borrowings amounted to RMB6,303,491 thousand (December 31, 2022: RMB4,831,937 thousand).

16a. Equipment held for operating lease business

The Group leases out a number of aircraft under operating leases. The leases typically run for an initial period of 56 to 189 months.

	Aircraft
Cost	
As at December 31, 2022	**6,173,592**
Exchange differences	**104,687**
As at December 31, 2023	**6,278,279**
Accumulated depreciation and impairment	
As at December 31, 2022	**880,121**
Depreciation charged for the year	**225,813**
Exchange differences	**15,786**
As at December 31, 2023	**1,121,720**
Net carrying amount	
As at December 31, 2022	**5,293,471**
As at December 31, 2023	**5,156,559**

(All amounts in thousands of RMB unless otherwise stated)

16. PROPERTY AND EQUIPMENT (CONTINUED)

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

	Aircraft
Cost	
As at December 31, 2021	5,651,577
Exchange differences	522,015
As at December 31, 2022	6,173,592
Accumulated depreciation and impairment	
As at December 31, 2021	601,655
Depreciation charged for the year	216,259
Exchange differences	62,207
As at December 31, 2022	880,121
Net carrying amount	
As at December 31, 2021	5,049,922
As at December 31, 2022	5,293,471

Impairment assessment

The management of the Group conducted impairment assessment on aircraft held for operating lease business with gross carrying amount, net of accumulated depreciation, of RMB5,207,950 thousand. The recoverable amounts of these aircraft held for operating lease business are estimated individually.

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

As a result of the review, no impairment of the relevant aircraft had been recognised in profit or loss for the year ended December 31, 2023 (2022: nil). As at December 31, 2023, the impairment allowance of the aircrafts held for operating lease is RMB51,391 thousand (as at December 31, 2022: RMB50,534 thousand).

(All amounts in thousands of RMB unless otherwise stated)

16. PROPERTY AND EQUIPMENT (CONTINUED)

16b. Property and equipment held for administrative purpose

	Motor vehicles	Electronic equipment	Office equipment	Leasehold land and buildings	Leasehold improvements	Construction in progress	Total
Cost							
As at December 31, 2022	7,015	38,559	13,568	1,752,323	111,756	21,891	1,945,112
Additions	664	6,449	1,432	66,739	2,171	2,541	79,996
Transfer	–	264	23	–	2,828	(3,115)	–
Disposals	(268)	(1,077)	(788)	–	(1,095)	–	(3,228)
Exchange differences	–	2	1	–	5	–	8
As at December 31, 2023	7,411	44,197	14,236	1,819,062	115,665	21,317	2,021,888
Accumulated depreciation							
As at December 31, 2022	4,908	23,915	8,367	29,722	74,020	–	140,932
Depreciation charged for the year	871	6,544	1,848	47,905	24,931	–	82,099
Eliminated on disposals	(255)	(1,022)	(739)	–	(1,095)	–	(3,111)
Exchange differences	–	2	1	–	5	–	8
As at December 31, 2023	5,524	29,439	9,477	77,627	97,861	–	219,928
Net carrying amount							
As at December 31, 2022	2,107	14,644	5,201	1,722,601	37,736	21,891	1,804,180
As at December 31, 2023	1,887	14,758	4,759	1,741,435	17,804	21,317	1,801,960

	Motor vehicles	Electronic equipment	Office equipment	Leasehold land and buildings	Leasehold improvements	Construction in progress	Total
Cost							
As at December 31, 2021	6,734	30,564	12,701	94,255	116,222	15,873	276,349
Additions (Note)	281	9,070	1,240	1,658,068	1,094	7,603	1,677,356
Transfer	–	126	70	–	1,389	(1,585)	–
Disposals	–	(1,213)	(449)	–	(6,977)	–	(8,639)
Exchange differences	–	12	6	–	28	–	46
As at December 31, 2022	7,015	38,559	13,568	1,752,323	111,756	21,891	1,945,112
Accumulated depreciation							
As at December 31, 2021	3,936	19,797	6,835	8,070	55,852	–	94,490
Depreciation charged for the year	972	5,260	1,952	21,652	25,117	–	54,953
Eliminated on disposals	–	(1,152)	(424)	–	(6,977)	–	(8,553)
Exchange differences	–	10	4	–	28	–	42
As at December 31, 2022	4,908	23,915	8,367	29,722	74,020	–	140,932
Net carrying amount							
As at December 31, 2021	2,798	10,767	5,866	86,185	60,370	15,873	181,859
As at December 31, 2022	2,107	14,644	5,201	1,722,601	37,736	21,891	1,804,180

Note: On July 25, 2022, the Group was notified by the Shanghai United Assets and Equity Exchange of the successful bid for the properties located at 2–12/F, No. 599 South Zhongshan Road (original leased properties) and 1–2/F, No. 666 Waima Road, Huangpu District, Shanghai and on July 27, 2022, the Group entered into the agreement with the transferor.

(All amounts in thousands of RMB unless otherwise stated)

17. RIGHT-OF-USE ASSETS

	Land and buildings	Other	Total
Cost			
As at December 31, 2022	97,087	567	97,654
Additions	17,103	25	17,128
Disposals	(45,952)	(225)	(46,177)
Exchange differences	78	—	78
As at December 31, 2023	68,316	367	68,683
Accumulated depreciation			
As at December 31, 2022	51,684	366	52,050
Depreciation charged for the year	25,550	121	25,671
Eliminated on disposals	(41,826)	(225)	(42,051)
Exchange differences	56	—	56
As at December 31, 2023	35,464	262	35,726
Net carrying amount			
As at December 31, 2022	45,403	201	45,604
As at December 31, 2023	32,852	105	32,957

	Land and buildings	Other	Total
Cost			
As at December 31, 2021	251,006	536	251,542
Additions	34,763	46	34,809
Disposals (Note)	(189,135)	(15)	(189,150)
Exchange differences	453	—	453
As at December 31, 2022	97,087	567	97,654
Accumulated depreciation			
As at December 31, 2021	131,040	240	131,280
Depreciation charged for the year	49,804	141	49,945
Eliminated on disposals	(129,261)	(15)	(129,276)
Exchange differences	101	—	101
As at December 31, 2022	51,684	366	52,050
Net carrying amount			
As at December 31, 2021	119,966	296	120,262
As at December 31, 2022	45,403	201	45,604

Note: On July 25, 2022, the Group was notified by the Shanghai United Assets and Equity Exchange of the successful bid for the properties located at 2–12/F, No. 599 South Zhongshan Road (original leased properties) and 1–2/F, No. 666 Waima Road, Huangpu District, Shanghai and on July 27, 2022, the Group entered into the agreement with the transferor.

17. RIGHT-OF-USE ASSETS (CONTINUED)

The Group leases various land and buildings, vehicle and parking space for its operations. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

For the year ended December 31, 2023, expense relating to short-term leases amounted to RMB1,351 thousand (2022: RMB1,899 thousand). For the years ended December 31, 2023 and 2022, no expense was related to leases of low-value assets excluding short-term leases of low value assets.

As at December 31, 2023 and 2022, the portfolio of short-term leases was similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

For the year ended December 31, 2023, total cash outflow for leases amounted to RMB28,865 thousand (2022: RMB58,080 thousand).

In addition, lease liabilities of RMB31,304 thousand were recognised as at December 31, 2023 (December 31, 2022: RMB43,875 thousand) (Note 29). For the year ended December 31, 2023, the interest expenses of lease liabilities amounted to RMB1,677 thousand (2022: RMB4,217 thousand) (Note 10). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

As at December 31, 2023 and 2022, the Group did not enter into any lease that was not yet commenced.

(All amounts in thousands of RMB unless otherwise stated)

18. INTANGIBLE ASSETS

	Computer software and other
Cost	
As at December 31, 2022	**54,274**
Additions	**47,889**
As at December 31, 2023	**102,163**
Accumulated amortisation	
As at December 31, 2022	**36,431**
Amortisation charged for the year	**8,454**
As at December 31, 2023	**44,885**
Carrying amount	
As at December 31, 2022	**17,843**
As at December 31, 2023	**57,278**

	Computer software and other
Cost	
As at December 31, 2021	44,955
Additions	9,319
As at December 31, 2022	54,274
Accumulated amortisation	
As at December 31, 2021	29,750
Amortisation charged for the year	6,681
As at December 31, 2022	36,431
Carrying amount	
As at December 31, 2021	15,205
As at December 31, 2022	17,843

(All amounts in thousands of RMB unless otherwise stated)

19. FINANCE LEASE RECEIVABLES

	December 31, 2023	December 31, 2022
Minimum finance lease receivables		
— Within one year	10,513,721	14,822,053
— In the second year	5,835,744	4,761,042
— In the third year	3,275,980	1,324,034
— In the fourth year	1,513,911	565,995
— In the fifth year	779,672	446,252
— After five years	1,967,554	1,586,042
Gross amount of finance lease receivables	23,886,582	23,505,418
Less: Unearned finance lease income	(3,077,166)	(2,457,072)
Present value of minimum finance lease receivables	20,809,416	21,048,346
Less: Loss allowance	(916,971)	(1,589,892)
Carrying amount of finance lease receivables	19,892,445	19,458,454
Present value of minimum finance lease receivables		
— Within one year	9,131,659	13,305,965
— In the second year	5,037,427	4,249,047
— In the third year	2,844,894	1,167,355
— In the fourth year	1,325,698	501,794
— In the fifth year	694,776	398,372
— After five years	1,774,962	1,425,813
Total	20,809,416	21,048,346
Analysed as:		
Current	8,644,405	12,355,870
Non-current	11,248,040	7,102,584
Total	19,892,445	19,458,454

(All amounts in thousands of RMB unless otherwise stated)

19. FINANCE LEASE RECEIVABLES (CONTINUED)

The Group entered into finance lease arrangements with leased assets for certain machinery equipment of advanced manufacturing, transportation & 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 twelve years. Finance lease receivables are secured over the underlying leasing assets. The Group is not permitted to sell or repledge the collateral in the absence of default by lessee.

As at December 31, 2023, the Group's finance lease receivables pledged as collateral for the Group's bank borrowings amounted to RMB618,676 thousand (December 31, 2022: RMB426,016 thousand).

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

Movements of loss allowance for finance lease receivables:

	Stage 1 12-months ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
As at December 31, 2022	439,314	531,299	619,279	1,589,892
Changes in the loss allowance:				
— Transfer to Stage 1	61,724	(54,610)	(7,114)	–
— Transfer to Stage 2	(49,563)	53,102	(3,539)	–
— Transfer to Stage 3	(29,635)	(306,001)	335,636	–
— Recovery of finance lease receivables previously written off	–	–	132,514	132,514
— Write-offs	–	–	(680,809)	(680,809)
— Other derecognition	–	–	(514,284)	(514,284)
— (Reversal)/Charge for the year	(63,053)	156,430	296,281	389,658
As at December 31, 2023	358,787	380,220	177,964	916,971

(All amounts in thousands of RMB unless otherwise stated)

19. FINANCE LEASE 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, 2021	523,852	496,926	543,431	1,564,209
Changes in the loss allowance:				
— Transfer to Stage 1	23,595	(21,090)	(2,505)	—
— Transfer to Stage 2	(49,993)	51,190	(1,197)	—
— Transfer to Stage 3	(51,423)	(338,538)	389,961	—
— Recovery of finance lease receivables previously written off	—	—	83,099	83,099
— Write-offs	—	—	(653,516)	(653,516)
— Other derecognition	—	—	(599,133)	(599,133)
— (Reversal)/Charge for the year	(6,717)	342,811	859,139	1,195,233
As at December 31, 2022	439,314	531,299	619,279	1,589,892

Analysis of present value of minimum finance lease receivables:

	Stage 1 **12-months ECL**	**Stage 2** **Lifetime ECL not credit-impaired**	**Stage 3** **Lifetime ECL credit-impaired**	**Total**
As at December 31, 2023	**19,138,399**	**1,394,427**	**276,590**	**20,809,416**
As at December 31, 2022	18,404,094	1,623,102	1,021,150	21,048,346

(All amounts in thousands of RMB unless otherwise stated)

20. RECEIVABLES ARISING FROM SALE AND LEASEBACK ARRANGEMENTS

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

	December 31, 2023	December 31, 2022
— Within one year	43,518,245	41,038,254
— In the second year	26,126,129	27,141,407
— In the third year	12,174,279	15,714,479
— In the fourth year	4,641,182	6,709,395
— In the fifth year	1,329,793	3,069,131
— After five years	1,076,326	837,855
Gross amount of receivables arising from sale and leaseback arrangements	88,865,954	94,510,521
Less: Interest adjustment	(7,475,895)	(8,775,539)
Present value of receivables arising from sale and leaseback arrangements	81,390,059	85,734,982
Less: Loss allowance	(1,873,554)	(1,185,030)
Carrying amount of receivables arising from sale and leaseback arrangements	79,516,505	84,549,952
Present value of receivables arising from sale and leaseback arrangements:		
— Within one year	39,882,354	37,226,972
— In the second year	23,924,378	24,655,189
— In the third year	11,143,670	14,237,955
— In the fourth year	4,245,686	6,076,049
— In the fifth year	1,214,360	2,779,039
— After five years	979,611	759,778
Total	81,390,059	85,734,982
Analysed as:		
Current	38,923,317	36,702,132
Non-current	40,593,188	47,847,820
Total	79,516,505	84,549,952

As at December 31, 2023, 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 RMB1,420,613 thousand (December 31, 2022: RMB5,005,702 thousand).

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

(All amounts in thousands of RMB unless otherwise stated)

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

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

	Stage 1 12-months ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
As at December 31, 2022	**952,362**	**159,715**	**72,953**	**1,185,030**
Changes in the loss allowance:				
— Transfer to Stage 1	**275**	**(259)**	**(16)**	**—**
— Transfer to Stage 2	**(72,798)**	**74,196**	**(1,398)**	**—**
— Transfer to Stage 3	**(8,391)**	**(77,532)**	**85,923**	**—**
— Recovery of receivables arising from sale and leaseback arrangements previously written-off	**—**	**—**	**1,021**	**1,021**
— Write-offs	**—**	**—**	**(23,724)**	**(23,724)**
— Other derecognition	**—**	**—**	**(232,098)**	**(232,098)**
— Charge for the year	**132,473**	**501,949**	**308,878**	**943,300**
— Exchange differences	**25**	**—**	**—**	**25**
As at December 31, 2023	**1,003,946**	**658,069**	**211,539**	**1,873,554**

	Stage 1 12-months ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
As at December 31, 2021	699,717	41,974	28,345	770,036
Changes in the loss allowance:				
— Transfer to Stage 1	186	(186)	—	—
— Transfer to Stage 2	(34,922)	34,922	—	—
— Transfer to Stage 3	(3,242)	(28,411)	31,653	—
— Recovery of receivables arising from sale and leaseback arrangements previously written-off	—	—	3,591	3,591
— Write-offs	—	—	(23,738)	(23,738)
— Other derecognition	—	—	(67,873)	(67,873)
— Charge for the year	290,623	111,416	100,975	503,014
As at December 31, 2022	952,362	159,715	72,953	1,185,030

(All amounts in thousands of RMB unless otherwise stated)

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

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

	Stage 1 12-months ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
As at December 31, 2023	**77,943,628**	**2,953,791**	**492,640**	**81,390,059**
As at December 31, 2022	84,955,976	634,235	144,771	85,734,982

21. LOANS AND RECEIVABLES

	December 31, 2023	December 31, 2022
Entrusted loans and other loans	**425,363**	511,985
Less: Loss allowance	**(260,709)**	(163,468)
Total	**164,654**	348,517
Analysed as:		
Current	**163,178**	343,387
Non-current	**1,476**	5,130
Total	**164,654**	348,517

(All amounts in thousands of RMB unless otherwise stated)

21. LOANS AND RECEIVABLES (CONTINUED)

21a. The table below illustrates the present value and carrying amount of entrusted loans and other loans:

	December 31, 2023	December 31, 2022
Within one year	**423,848**	506,711
More than one year but not exceeding five years	**1,515**	5,274
Present value of entrusted loans and other loans	**425,363**	511,985
Less: Loss allowance	**(260,709)**	(163,468)
Carrying amount of entrusted loans and other loans	**164,654**	348,517

21b. Movements of loss allowance for loans and receivables:

	Stage 1 12-months ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
As at December 31, 2022	**3,301**	**160,167**	**—**	**163,468**
Changes in the loss allowance:				
— Transfer to Stage 3	**—**	**(160,167)**	**160,167**	**—**
— (Reversal)/Charge for the year	**(2,005)**	**—**	**99,189**	**97,184**
— Exchange differences	**57**	**—**	**—**	**57**
As at December 31, 2023	**1,353**	**—**	**259,356**	**260,709**

	Stage 1 12-months ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
As at December 31, 2021	110,783	249,589	5,870	366,242
Changes in the loss allowance:				
— Write-offs	—	—	(2,102)	(2,102)
— Other derecognition	—	(101,867)	9,044	(92,823)
— (Reversal)/Charge for the year	(107,962)	12,445	(12,812)	(108,329)
— Exchange differences	480	—	—	480
As at December 31, 2022	3,301	160,167	—	163,468

(All amounts in thousands of RMB unless otherwise stated)

21. LOANS AND RECEIVABLES (CONTINUED)

21c. Analysis of present value of loans and receivables:

	Stage 1 12-months ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
As at December 31, 2023	**46,751**	**—**	**378,612**	**425,363**
As at December 31, 2022	133,373	378,612	—	511,985

22. DEFERRED TAXATION

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

	December 31, 2023	December 31, 2022
Deferred tax assets	**1,856,206**	1,676,878
Deferred tax liabilities	**(13,145)**	(13,360)
Total	**1,843,061**	1,663,518

(All amounts in thousands of RMB unless otherwise stated)

22. DEFERRED TAXATION (CONTINUED)

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

	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	Other	Total
As at December 31, 2021	1,549,788	(3,746)	(16,178)	63,710	(50,189)	18,353	1,561,738
Credit/(Charge) to profit or loss	33,361	(33)	35,611	12,458	(12,084)	1,686	70,999
Credit to other comprehensive income	—	29,821	—	—	—	—	29,821
Exchange differences	345	(2)	—	5,328	(5,001)	290	960
As at December 31, 2022	1,583,494	26,040	19,433	81,496	(67,274)	20,329	1,663,518
Credit/(Charge) to profit or loss	**159,149**	**—**	**23,662**	**17,034**	**(12,614)**	**11,357**	**198,588**
Charge to other comprehensive income	**—**	**(19,299)**	**—**	**—**	**—**	**—**	**(19,299)**
Exchange differences	**37**	**(1)**	**—**	**1,338**	**(1,188)**	**68**	**254**
As at December 31, 2023	**1,742,680**	**6,740**	**43,095**	**99,868**	**(81,076)**	**31,754**	**1,843,061**

The Group did not have significant unrecognised deferred tax assets as at December 31, 2023 (December 31, 2022: nil).

(All amounts in thousands of RMB unless otherwise stated)

23. OTHER ASSETS

Non-current

	December 31, 2023	December 31, 2022
Long-term receivables from government cooperation projects (Note)	**1,478,643**	1,185,230
Other long-term receivables	**436,776**	550,155
Financial assets measured at amortised cost	**416,161**	428,905
Continuing involvement assets (Note 38)	**304,561**	412,055
Repossession of finance lease assets	**112,182**	157,048
Foreclosed assets	**60,112**	87,170
Prepayments on acquisition of property and equipment and intangible assets	**3,823**	3,374
Other	**71,025**	54,597
Sub-total	**2,883,283**	2,878,534
Less: Expected credit loss allowance	**(90,512)**	(27,949)
Allowance for impairment losses	**(77,510)**	(72,133)
Total	**2,715,261**	2,778,452

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, please refer to Note 33.

(All amounts in thousands of RMB unless otherwise stated)

23. OTHER ASSETS (CONTINUED)

Current

	December 31, 2023	December 31, 2022
Properties under development	797,457	732,054
Other long-term receivables due within one year	147,882	42,043
Value added tax ("VAT") credit and other	143,122	196,402
Prepayments	13,375	24,105
Notes receivable	12,002	134,571
Deposits	8,351	11,095
Other	32,794	46,915
Sub-total	1,154,983	1,187,185
Less: Expected credit loss allowance	(27,433)	(1,013)
Total	1,127,550	1,186,172

23a. Movements of expected credit loss allowance for other assets are as follows:

	December 31, 2023	December 31, 2022
At beginning of the year	28,962	20,971
Charged to profit or loss (Note 12)	88,997	7,991
Exchange differences	(14)	—
At end of the year	117,945	28,962

23b. Movements of allowance for impairment losses for other assets are as follows:

	December 31, 2023	December 31, 2022
At beginning of the year	72,133	35,640
Charged to profit or loss	24,501	59,166
Derecognition	(19,124)	(22,673)
At end of the year	77,510	72,133

(All amounts in thousands of RMB unless otherwise stated)

24. ACCOUNTS RECEIVABLE

	December 31, 2023	December 31, 2022
Accounts receivable from:		
— settlement of receivable and others	**87,696**	166,590
— operating lease	**52,709**	62,470
Sub-total	**140,405**	229,060
Less: Loss allowance	**(33,366)**	(32,104)
Total	**107,039**	196,956

Analysed by aging as:

	December 31, 2023	December 31, 2022
Within one year	**71,936**	196,940
More than one year but not exceeding two years	**35,100**	16
More than two years but not exceeding three years	**3**	—
Total	**107,039**	196,956

Movements of loss allowance for accounts receivable are as follows:

	December 31, 2023	December 31, 2022
At beginning of the year	**32,104**	37,453
Charged/(Credited) to profit or loss (Note 12)	**1,107**	(6,066)
Exchange differences	**155**	717
At end of the year	**33,366**	32,104

(All amounts in thousands of RMB unless otherwise stated)

25. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	December 31, 2023	December 31, 2022
Treasury bonds held under resale agreements	200,048	—
Less: Loss allowance (Note 12)	(650)	—
Total	199,398	—

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31, 2023	December 31, 2022
Measured at fair value:		
Equity instruments	355,956	455,637
Wealth management products	320,062	—
Funds (Note)	100,000	20,020
Asset management schemes and trust plans	51,407	237,683
Debt securities	302,571	—
Total	1,129,996	713,340
Analysed as:		
Unlisted	549,755	343,332
Listed	580,241	370,008
Analysed as:		
Current	1,105,208	605,987
Non-current	24,788	107,353
Total	1,129,996	713,340

Note: As at December 31, 2023, funds amounting to RMB100,000 thousand were managed by HFT Investment Management Co., Ltd. (December 31, 2022: nil). For the year ended December 31, 2023, there was no gains related to the above funds (2022: RMB221 thousand).

(All amounts in thousands of RMB unless otherwise stated)

27. DERIVATIVE FINANCIAL INSTRUMENTS

	December 31, 2023		
	Nominal Amount	**Assets**	**Liabilities**
Derivatives under hedge accounting:			
Interest rate swaps ("IRS")	**1,525,629**	**53,779**	**–**
Cross currency interest rate swaps	**539,784**	**32,794**	**–**
Currency forwards	**364,818**	**1,702**	**(5,719)**
Total	**2,430,231**	**88,275**	**(5,719)**

	December 31, 2022		
	Nominal Amount	Assets	Liabilities
Derivatives under hedge accounting:			
Interest rate swaps ("IRS")	2,437,841	87,005	(18,745)
Currency forwards	1,443,475	19,988	(40,626)
Cross currency interest rate swaps	1,256,077	6,363	(16,800)
Total	5,137,393	113,356	(76,171)

As at December 31, 2023 and December 31, 2022, fixed interest rates for USD IRS ranged from 1.3700% to 4.3650%.

As at December 31, 2023, no currency forwards with forward exchange rates of buying USD and selling RMB were held by the Group (forward exchange rates as at December 31, 2022: from 6.4825 to 7.3891).

As at December 31, 2023, no currency forwards with forward exchange rates of buying EUR and selling RMB were held by the Group (forward exchange rates as at December 31, 2022: from 7.0681 to 7.4909).

As at December 31, 2023, currency forwards with forward exchange rates of buying JPY and selling RMB ranged from 0.0501 to 0.0546 (December 31, 2022: nil).

As at December 31, 2023, no USD cross currency interest rate swaps was held by the Group (fixed interest rates as at December 31, 2022: from 3.1300% to 3.5200% and forward exchange rates as at December 31, 2022: from 7.0476 to 7.0980).

(All amounts in thousands of RMB unless otherwise stated)

27. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

As at December 31, 2023, cross currency interest rate swaps with fixed interest rates for HKD IRS ranged from 4.2500% to 4.3000% (December 31, 2022: from 3.8000% to 4.3000%) and with forward exchange rates of buying HKD and selling RMB ranged from 0.8105 to 0.8138 (December 31, 2022: from 0.8105 to 0.8810).

Cash flow hedges

For the year ended December 31, 2023, 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.

For the year ended December 31, 2023, the Group's net gain before tax from the cash flow hedges recognised in other comprehensive income was RMB49,170 thousand (year ended December 31, 2022: net gain of RMB15,699 thousand), and the net gain after considering the impact of income tax was RMB29,871 thousand (year ended December 31, 2022: net gain of RMB45,520 thousand); during the current year, the Group reclassified an amount of RMB69,451 thousand from other comprehensive income to profit or loss due to fluctuations in exchange rates and interest rates (year ended December 31, 2022: an amount of RMB261,966 thousand). Gains or losses arising from ineffective portion of cash flow hedge were immaterial. There were no transactions for which cash flow hedge accounting had to be ceased as a result of the highly probable cash flows no longer being expected to occur.

28. CASH AND BANK BALANCES

	December 31, 2023	December 31, 2022
Cash and bank balances	**8,374,051**	5,409,483
Restricted bank deposits (Note)	**961,850**	711,572
Less: Loss allowance	**(62)**	(81)
Total	**9,335,839**	6,120,974

Note: This represents deposits held by the Group that were mainly relating to bank acceptance bills and aircraft maintenance funds as at December 31, 2023 and 2022, and were restricted for use.

(All amounts in thousands of RMB unless otherwise stated)

29. BORROWINGS

	December 31, 2023	December 31, 2022
Bank borrowings	44,993,121	47,665,564
Other financial institutions borrowings	552,580	926,164
Interest payable	216,363	183,678
Lease liabilities	31,304	43,875
Total	45,793,368	48,819,281
Analysed as:		
Current	23,688,060	25,672,450
Non-current	22,105,308	23,146,831
Total	45,793,368	48,819,281

29a. Bank borrowings

	December 31, 2023	December 31, 2022
Unsecured and unguaranteed borrowings	39,329,298	40,053,767
Secured borrowings	5,663,823	7,611,797
Total	44,993,121	47,665,564
Analysed as:		
Current	23,140,989	25,090,892
Non-current	21,852,132	22,574,672
Total	44,993,121	47,665,564

(All amounts in thousands of RMB unless otherwise stated)

29. BORROWINGS (CONTINUED)

29a. Bank borrowings (continued)

	December 31, 2023	December 31, 2022
Carrying amount repayable:		
Within one year	**23,140,989**	25,090,892
More than one year but not exceeding two years	**15,036,124**	11,599,756
More than two years but not exceeding five years	**5,837,069**	10,082,209
More than five years	**978,939**	892,707
Total	**44,993,121**	47,665,564

The secured borrowings were pledged by finance lease receivables, receivables arising from sale and leaseback arrangements and the Company's equity interests in certain subsidiaries, and were secured by property and equipment. Please refer to Notes 16, 19 and 20 for details.

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

	December 31, 2023	December 31, 2022
Contractual interest rate:		
Fixed-rate borrowings	**0.10% to 4.60%**	1.49% to 4.60%
Floating-rate borrowings	**LPR Plus -1.25% to 0.70%** **Secured Overnight Financing Rate ("SOFR") Plus 1.12% to 2.01%**	LPR Plus -1.25% to 0.95% London Inter Bank Offered Rate ("LIBOR") Plus 0.92% to 1.75% Hong Kong Inter Bank Offered Rate ("HIBOR") Plus 0.20% to 1.00%

(All amounts in thousands of RMB unless otherwise stated)

29. BORROWINGS (CONTINUED)

29b. Other financial institutions borrowings

	December 31, 2023	December 31, 2022
Secured borrowings	**355,288**	516,620
Unsecured and unguaranteed borrowings	**197,292**	409,544
Total	**552,580**	926,164
Analysed as:		
Current	**312,355**	374,016
Non-current	**240,225**	552,148
Total	**552,580**	926,164

The secured borrowings were pledged by receivables arising from sale and leaseback arrangements. Please refer to Note 20 for details.

	December 31, 2023	December 31, 2022
Carrying amount repayable:		
Within one year	**312,355**	374,016
More than one year but not exceeding two years	**240,225**	311,365
More than two years but not exceeding five years	**–**	240,783
Total	**552,580**	926,164

As at December 31, 2023 and 2022, the effective interest rate of other financial institutions borrowings ranged from 3.90% to 4.53% and from 3.90% to 4.78% per annum, respectively.

(All amounts in thousands of RMB unless otherwise stated)

29. BORROWINGS (CONTINUED)

29c. Lease liabilities

	December 31, 2023	December 31, 2022
Carrying amount repayable:		
Within one year	18,353	23,864
More than one year but not exceeding two years	9,300	14,351
More than two years but not exceeding five years	3,651	5,660
Total	31,304	43,875
Amount due for settlement within 12 months shown under current liabilities	18,353	23,864
Amount due for settlement after 12 months shown under non-current liabilities	12,951	20,011

As at December 31, 2023 and 2022, the weighted average incremental borrowing rates applied to lease liabilities ranged from 4.20%% to 4.75% and from 4.30% to 4.75%, respectively.

30. ACCRUED STAFF COSTS

	December 31, 2023	December 31, 2022
Salaries, bonus and allowances and others	314,289	363,352
Total	314,289	363,352

31. ACCOUNTS PAYABLE

	December 31, 2023	December 31, 2022
Accounts payable for acquisition of leasing equipment	277,034	201,746
Analysed by aging as:		
Within 90 days	93,623	183,288
More than 90 days	183,411	18,458
Total	277,034	201,746

(All amounts in thousands of RMB unless otherwise stated)

32. BONDS PAYABLE

	December 31, 2023	December 31, 2022
Analysed as:		
Current	**23,730,125**	23,883,071
Non-current	**21,657,682**	18,670,205
Total	**45,387,807**	42,553,276

32a. Bonds payable analysed by nature

	December 31, 2023	December 31, 2022
Ultra-short-term commercial papers (Note i)	**4,998,599**	4,997,623
Asset-backed securities (Note ii)	**14,270,163**	10,691,698
Medium-term notes (Note iii)	**10,093,376**	8,038,543
Corporate bonds (Note iv)	**11,432,207**	12,968,372
Private placement notes (Note v)	**998,642**	1,996,206
Asset-backed notes (Note vi)	**2,114,282**	2,440,362
Short-term commercial papers (Note vii)	**999,907**	998,955
Interest payable	**480,631**	421,517
Total	**45,387,807**	42,553,276

Notes:

(i) Ultra-short-term commercial papers

Issue Date	Outstanding principal amount RMB'million	Coupon rate	Term
April 25, 2023	1,000	2.56%	9 months
August 21, 2023	1,000	2.40%	7 months
September 1, 2023	1,000	2.50%	9 months
September 19, 2023	1,000	2.68%	9 months
November 21, 2023	1,000	2.81%	9 months

(All amounts in thousands of RMB unless otherwise stated)

32. BONDS PAYABLE (CONTINUED)

32a. Bonds payable analysed by nature (continued)

Notes (continued):

(ii) Asset-backed securities

Issue Date	Outstanding principal amount RMB'million	Coupon rate	Term
June 29, 2022	Senior: 236; Junior: 50	Senior: 3.19% and 3.60%	Senior: 32 months; Junior: 56 months
July 12, 2022	Senior: 113; Junior: 60	Senior: 3.00% and 3.03%	Senior: 23 months; Junior: 58 months
September 8, 2022	Senior: 286; Junior: 60	Senior: 2.79% and 2.80%	Senior: 24 months; Junior: 60 months
September 16, 2022	Senior: 1,425; Junior: 75	Senior: 4.10%	Senior: 60 months (36+24); Junior: 72 months
September 21, 2022	Senior: 376; Junior: 50	Senior: 2.98% and 3.40%	Senior: 35 months; Junior: 59 months
November 25, 2022	Senior: 407; Junior: 60	Senior: 3.50% and 3.60%	Senior: 24 months; Junior: 60 months
December 23, 2022	Senior: 1,425; Junior: 75	Senior: 4.48%	Senior: 60 months (36+24); Junior: 72 months
January 13, 2023	Senior:513; Junior: 50	Senior: 4.50% and 4.70%	Senior: 31 months; Junior: 55 months
March 8, 2023	Senior: 502; Junior: 60	Senior: 3.15%, 3.63% and 3.70%	Senior: 23 months; Junior: 56 months
March 16, 2023	Senior: 507; Junior: 50	Senior: 3.20%, 3.70% and 4.00%	Senior: 28 months; Junior: 52 months
May 16, 2023	Senior: 538; Junior: 60	Senior: 2.69%, 3.28% and 3.43%	Senior: 22 months; Junior: 58 months
May 24, 2023	Senior: 589; Junior: 50	Senior: 2.68%, 3.48% and 3.62%	Senior: 31 months; Junior: 55 months
June 7, 2023	Senior: 578; Junior: 50	Senior: 2.70%, 3.38% and 3.58%	Senior: 34 months; Junior: 55 months
June 27, 2023	Senior: 702; Junior: 60	Senior: 2.69%, 3.18% and 3.41%	Senior: 24 months; Junior: 60 months
August 8, 2023	Senior: 641; Junior: 50	Senior: 2.59%, 3.16% and 3.30%	Senior: 32 months; Junior: 47 months
September 1, 2023	Senior: 1,140; Junior: 60	Senior: 2.55%, 3.00% and 3.09%	Senior: 20 months; Junior: 35 months
November 3, 2023	Senior: 950; Junior: 50	Senior: 2.90%, 3.28% and 3.50%	Senior: 30 months; Junior: 57 months
December 15, 2023	Senior: 950; Junior: 50	Senior:3.09%, 3.25% and 3.45%	Senior: 24 months; Junior: 36 months
December 20, 2023	Senior: 1,140; Junior: 60	Senior:2.94%, 3.14% and 3.32%	Senior: 24 months; Junior: 57 months
December 22, 2023	Senior: 1,350; Junior: 73	Senior:3.10%, 3.40% and 3.60%	Senior: 35 months; Junior: 53 months

(All amounts in thousands of RMB unless otherwise stated)

32. BONDS PAYABLE (CONTINUED)

32a. Bonds payable analysed by nature (continued)

Notes (continued):

(iii) Medium-term notes

Issue Date	Outstanding principal amount RMB'million	Coupon rate	Term
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
August 8, 2022	1,200	3.25%	3 years
December 13, 2022	1,000	4.13%	3 years
February 21, 2023	1,000	4.20%	3 years
June 2, 2023	1,000	3.81%	3 years
August 22, 2023	1,000	3.46%	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
April 22, 2021	680	3.65%	4 years (2+2)
June 16, 2021	570	3.36%	4 years (2+2)
August 10, 2021	600	3.90%	3 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
July 5, 2022	600	3.44%	3 years
October 19, 2022	1,000	3.13%	3 years
April 13, 2023	1,000	3.90%	3 years
June 20, 2023	1,000	3.80%	5 years (3+2)
July 21, 2023	1,000	3.63%	5 years (3+2)
October 20, 2023	1,000	3.47%	4 years (2+2)

(All amounts in thousands of RMB unless otherwise stated)

32. BONDS PAYABLE (CONTINUED)

32a. Bonds payable analysed by nature (continued)

Notes (continued):

(v) Private placement notes

Issue Date	Outstanding principal amount RMB'million	Coupon rate	Term
November 9, 2021	1,000	4.19%	3 years

(vi) Asset-backed notes

Issue Date	Outstanding principal amount RMB'million	Coupon rate	Term
March 8, 2022	Senior: 57; Junior: 50	Senior: 3.50%	Senior: 30 months; Junior: 45 months
April 6, 2023	Senior: 154; Junior: 50	Senior: 3.29%	Senior: 14 months; Junior: 47 months
July 14, 2023	Senior: 955	Senior: 2.80%	Senior: 6 months
September 12, 2023	Senior: 950	Senior: 2.97%	Senior: 6 months

(vii) Short-term commercial papers

Issue Date	Outstanding principal amount RMB'million	Coupon rate	Term
January 9, 2023	1,000	3.41%	12 months

(All amounts in thousands of RMB unless otherwise stated)

33. OTHER LIABILITIES

Current

	December 31, 2023	December 31, 2022
Deposits due within one year	1,758,800	2,653,842
Bank acceptance bills	1,507,861	2,047,521
Contract liabilities	406,607	159,962
Accrued expenses	223,868	243,355
Government cooperation project payables (Note 23)	165,495	254,424
Dividends payables	126,900	—
Deferred revenue	39,601	53,128
Other taxes payable	31,656	63,327
Advance receipt	27,344	24,573
Government outsourcing project payables	12,669	35,174
Other payables	980,860	1,149,169
Total	5,281,661	6,684,475

Non-current

	December 31, 2023	December 31, 2022
Deposits from customers	3,927,541	4,303,758
Deferred revenue	360,893	422,792
Continuing involvement liabilities (Note 38)	304,561	412,055
Aircraft maintenance funds	302,585	325,655
Government cooperation project payables (Note 23)	97,305	69,897
Deposits from suppliers and agents	84,518	94,145
Accrued expenses	52,271	71,232
Contract liabilities	—	144,038
Other payables	335,005	452,326
Total	5,464,679	6,295,898

(All amounts in thousands of RMB unless otherwise stated)

34. SHARE CAPITAL

	December 31, 2023		December 31, 2022	
	Number of shares (thousand)	Nominal Value	Number of shares (thousand)	Nominal Value
Issued and fully paid:				
— Domestic shares of RMB1 Yuan each	2,440,847	2,440,847	2,440,847	2,440,847
— H shares of RMB1 Yuan each	5,794,453	5,794,453	5,794,453	5,794,453
Total	8,235,300	8,235,300	8,235,300	8,235,300

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

35. OTHER EQUITY INSTRUMENTS

(1) Other equity instruments issued by the Company at the end of the year:

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

(ii) The Company issued renewable corporate bonds with value date on November 21, 2022 and principal amount of RMB500,000 thousand on November 17, 2022.

(iii) The Company issued renewable corporate bonds with value date on March 10, 2023 and principal amount of RMB1,000,000 thousand on March 8, 2023.

(iv) The Company issued renewable corporate bonds with value date on August 17, 2023 and principal amount of RMB1,000,000 thousand on August 14, 2023.

35. OTHER EQUITY INSTRUMENTS (CONTINUED)

(1) Other equity instruments issued by the Company at the end of the year (continued):

The above financial instruments (i–iv) 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 of the interests deferral; 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, all deferred interests and fruits 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.

(2) 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 are presented as other equity instruments under IAS 32 *Financial Instruments: Presentation*.

(3) For the year ended December 31, 2023, profit attributable to the holders of other equity instruments of the Company amounting to RMB136,842 thousand (2022: RMB97,903 thousand), are determined with reference to the distribution rate specified in the terms and conditions.

(4) For the year ended December 31, 2023, the Company had distributed interest to the holders of other equity instruments of the Company amounting to RMB232,097 thousand (2022: RMB108,553 thousand).

(All amounts in thousands of RMB unless otherwise stated)

36. RESERVES

(1) Capital reserve

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

	Beginning of the year	Reduction	End of the year
2023			
Capital premium	**2,457,876**	**—**	**2,457,876**
Other capital reserve	**28,131**	**(18,481)**	**9,650**
Total	**2,486,007**	**(18,481)**	**2,467,526**
2022			
Capital premium	2,457,876	—	2,457,876
Other capital reserve	35,086	(6,955)	28,131
Total	2,492,962	(6,955)	2,486,007

(2) Surplus reserve

The surplus reserve is the statutory surplus reserve.

Pursuant to the Company Law, 10% of the net profit of the Company, as determined under the relevant accounting rules in the PRC, is required to be transferred to the statutory surplus reserve until this reserve reaches 50% of the share capital of the Company. The reserve appropriated can be used for offsetting accumulated losses, expansion of business and capitalisation, in accordance with the Company's articles of association or as approved under proper authorisation.

	Beginning of the year	Addition	End of the year
2023			
Statutory reserve	**713,394**	**113,549**	**826,943**
2022			
Statutory reserve	585,260	128,134	713,394

36. RESERVES (CONTINUED)

(3) Hedging reserve

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

	Beginning of the year	Addition	End of the year
2023			
Hedging reserve	**68,236**	**29,871**	**98,107**
2022			
Hedging reserve	22,716	45,520	68,236

The hedging reserve represents the cumulative effective portion of gains and losses arising on changes in fair value of hedging instruments entered into for cash flow hedges.

(4) Translation reserve

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group at the exchange rate prevailing at the end of each reporting period, and the income and expenses are translated at the average exchange rates for the period or exchange rates similar with the spot exchange rate on the date of the transaction. Exchanges differences arising, if any, are recognised in other comprehensive income and accumulated in the translation reserve.

37. INTERESTS IN STRUCTURED ENTITIES

(1) Interest in consolidated structured entities

The Group holds interests in certain structured entities through investments in the shares, securities or notes issued by these structured entities. The categorise of these structured entities mainly include asset-backed securities, asset-backed notes and investment fund of debt securities. When assessing whether to consolidate these structured entities, the Group assesses 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 26 and 38 for details.

(2) Interest in unconsolidated structured entities

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

The carrying amount and maximum risk exposure of the unconsolidated structured entities amounted to RMB471 million and RMB258 million as at December 31, 2023 and 2022, respectively. As at December 31, 2023 and 2022, total fair value gains from these structured entities amounted to RMB1,470 thousand and RMB4,704 thousand respectively. These amounts are included in the items presented in Notes 6 and 26.

38. TRANSFER OF FINANCIAL ASSETS

Asset-backed securities

The Group enters into securitisation transactions in the normal course of business by which it transfers finance lease receivables and receivables arising from sale and leaseback arrangements to structured entities which issue asset-backed securities to investors in the Shanghai Stock Exchange market.

In some cases, the Group holds all the junior tranches of the asset-backed securities, substantially all the risks and rewards of ownership of the transferred assets are retained, so the Group continues to recognise the transferred asset in its entirety and recognises bonds payable for the consideration received.

As at December 31, 2023, the carrying amount of finance lease receivables and receivables arising from sale and leaseback arrangements that have been transferred but not derecognised was RMB13,642 million (December 31, 2022: RMB10,149 million). As at December 31, 2023, the related carrying amount of financial liabilities was RMB14,270 million (December 31, 2022: RMB10,692 million).

(All amounts in thousands of RMB unless otherwise stated)

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

As at December 31, 2023, 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 RMB1,592 million (December 31, 2022: RMB2,567 million). As at December 31, 2023, the carrying amount of assets that the Group continued to recognise was RMB305 million (December 31, 2022: RMB412 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 bond market to investors. As the Group holds all the junior tranches asset-backed notes, substantially all the risks and rewards of ownership of the transferred assets are retained, so the Group continues to recognise the transferred asset in its entirety and recognises bonds payable for the consideration received.

As at December 31, 2023, the carrying amount of finance lease receivables and receivables arising from sale and leaseback arrangements that have been transferred but not derecognised was RMB1,862 million (December 31, 2022: RMB1,887 million).

As at December 31, 2023, the related carrying amount of financial liabilities was RMB2,114 million (December 31, 2022: RMB2,440 million).

39. CASH AND CASH EQUIVALENTS

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

	December 31, 2023	December 31, 2022
Deposits in banks	**8,374,051**	5,409,483
Total	**8,374,051**	5,409,483

(All amounts in thousands of RMB unless otherwise stated)

40. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	As at January 1, 2023	Financing cash flows	Dividends distributed	Foreign exchange losses	Other changes	As at December 31, 2023
Bank borrowings and other financial institutions borrowings	48,775,406	(5,089,910)	—	81,023	1,995,545	45,762,064
Bonds payable	42,553,276	1,053,914	—	35,956	1,744,661	45,387,807
Dividends payable	—	(872,942)	872,942	—	—	—
Distribution of other equity instruments	—	(105,197)	232,097	—	—	126,900
Lease liabilities	43,875	(27,514)	—	—	14,943	31,304
Total	91,372,557	(5,041,649)	1,105,039	116,979	3,755,149	91,308,075

	As at January 1, 2022	Financing cash flows	Dividends distributed	Foreign exchange losses	Other changes	As at December 31, 2022
Bank borrowings and other financial institutions borrowings	42,685,270	3,711,994	—	552,584	1,825,558	48,775,406
Borrowings from a related party	1,130,511	(1,158,481)	—	6,013	21,957	—
Bonds payable	38,275,262	2,706,750	—	144,851	1,426,413	42,553,276
Dividends payable	—	(568,235)	568,235	—	—	—
Distribution of other equity instruments	—	(108,553)	108,553	—	—	—
Lease liabilities	125,852	(56,181)	—	—	(25,796)	43,875
Total	82,216,895	4,527,294	676,788	703,448	3,248,132	91,372,557

(All amounts in thousands of RMB unless otherwise stated)

41. OPERATING LEASES ARRANGEMENTS

The Group as lessor

Operating leases relate to the aircraft owned by the Group with lease terms of around 56 to 189 months. The lessees do not have an option to purchase the leased asset before the expiry of the lease period.

Minimum lease payments receivable on leases are as follows:

	December 31, 2023	December 31, 2022
Within one year	550,480	561,069
In the second year	534,144	545,913
In the third year	494,686	506,162
In the fourth year	367,700	467,215
In the fifth year	223,302	342,347
After five years	619,771	825,812
Total	2,790,083	3,248,518

42. CAPITAL COMMITMENTS

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

	December 31, 2023	December 31, 2022
Contracted, but not provided for:		
Equipment held for operating lease business	233,932	—
Construction agreements under Public-Private Partnership and government outsourcing projects	147,004	608,458
Total	380,936	608,458

(All amounts in thousands of RMB unless otherwise stated)

43. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

The emoluments of the Directors and Supervisors of the Company paid or payable by the Group for the year ended December 31, 2023 and 2022 are set out below:

For the year ended December 31, 2023

Name	Director fee	Salary and allowances	Employer's contribution to pension schemes	Discretionary bonuses	Total
Executive Directors:					
Ding Xueqing	–	1,554	660	4,877	7,091
Zhou Jianli	–	1,404	594	4,307	6,305
Non-executive Directors:					
Zhang Xinjun (i)	–	–	–	–	–
Ren Peng (ii)	–	–	–	–	–
Ha Erman	–	–	–	–	–
Lu Tong	–	–	–	–	–
Wu Shukun	–	–	–	–	–
Zhang Shaohua	–	–	–	–	–
Independent non-executive Directors:					
Yao Feng	210	–	–	–	210
Zeng Qingsheng	210	–	–	–	210
Wu Yat Wai	210	–	–	–	210
Yan Lixin	210	–	–	–	210
Supervisors:					
Wu Xiangyang	–	–	–	–	–
Chen Xinji	–	722	221	566	1,509
Hu Zhangming	–	598	148	448	1,194
	840	4,278	1,623	10,198	16,939

(All amounts in thousands of RMB unless otherwise stated)

43. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

For the year ended December 31, 2022

Name	Director fee	Salary and allowances	Employer's contribution to pension schemes	Discretionary bonuses	Total
Executive Directors:					
Ding Xueqing	—	1,554	730	3,490	5,774
Zhou Jianli	—	1,404	566	3,097	5,067
Non-executive Directors:					
Ren Peng (ii)	—	—	—	—	—
Ha Erman	—	—	—	—	—
Lu Tong	—	—	—	—	—
Wu Shukun	—	—	—	—	—
Zhang Shaohua	—	—	—	—	—
Independent non-executive Directors:					
Yao Feng	210	—	—	—	210
Zeng Qingsheng	210	—	—	—	210
Wu Yat Wai	210	—	—	—	210
Yan Lixin	210	—	—	—	210
Jiang Yulin (iii)	131	—	—	—	131
Supervisors:					
Wu Xiangyang	—	—	—	—	—
Chen Xinji	—	719	201	529	1,449
Hu Zhangming	—	532	119	308	959
	971	4,209	1,616	7,424	14,220

43. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Group, and the non-executive directors' and the independent non-executive directors' emoluments shown above were for their services as directors of the Company.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year and no emoluments were paid by the Group to any of the directors, supervisors or senior management as an inducement to join or upon joining the Group or as compensation for loss of office.

Notes:

(i) Zhang Xinjun was appointed as a non-executive director in May 2023.

(ii) Ren Peng ceased to be a non-executive director in May 2023.

(iii) Jiang Yulin was removed from the office of the independent non-executive director by the general meeting of the Company in August 2022.

(All amounts in thousands of RMB unless otherwise stated)

44. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid employees of the Group during the year included two directors (2022: two directors), details of whose remuneration are set out in Note 43 above. Details of the remuneration for the year of the remaining three (2022: three) highest paid employees who are not directors of the Company are as follows:

	Year ended December 31	
	2023	2022
Basic salaries and allowances	**3,148**	3,148
Bonuses	**8,670**	6,317
Employer's contribution to pension schemes	**1,304**	1,396
Total	**13,122**	10,861

Bonuses are discretionary with reference to the Group's and the individuals' performance. No emoluments have been paid to or receivable by these individuals as an inducement to join or upon joining the Group or as compensation for loss of office for the year ended December 31, 2023 and 2022.

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

	Year ended December 31	
	2023	2022
	No. of employees	No. of employees
— HKD3,000,001–HKD4,000,000	**—**	2
— HKD4,000,001–HKD5,000,000	**2**	1
— HKD5,000,001–HKD6,000,000	**1**	—
Total	**3**	3

(All amounts in thousands of RMB unless otherwise stated)

45. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

In addition to the subsidiaries of the Group set out in Note 50, the name and the relationship of the other related parties are set out below:

Name of the related party	Relationship of the related party
Haitong UT Capital Group Co., Limited	Parent Company
Haitong Securities Co., Ltd.	Ultimate Holding Company
Shanghai Haitong Securities Asset Management Co., Ltd.	Fellow Subsidiary
Shanghai HFT Fortune Asset Management Co., Ltd.	Fellow Subsidiary
Unican Limited (Note)	Fellow Subsidiary
Haitong International Securities Co., Ltd.	Fellow Subsidiary
Haitong Futures Co., Ltd.	Fellow Subsidiary
Shanghai Weitai Properties Management Co., Ltd.	Fellow Subsidiary

Note: Liquidated in 2022.

Other than as disclosed elsewhere in these consolidated financial statements, the Group had the following material transactions and balances with the related parties for the years ended and as at December 31, 2023 and 2022:

(a) Amounts of related party transactions

For the years ended December 31, 2023 and 2022, the Group had the following material transactions with the related parties:

(1) *Interest expenses*

	Year ended December 31	
	2023	2022
Unican Limited	**–**	22,007

(2) *Other operating expenses*

	Year ended December 31	
	2023	2022
Shanghai Weitai Properties Management Co., Ltd.	**16**	21

(All amounts in thousands of RMB unless otherwise stated)

45. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(b) Balance of related party transactions

As at December 31, 2023 and 2022, the Group had the following material balances with the related parties:

(1) Bonds payable

	December 31, 2023	December 31, 2022
Haitong Securities Co., Ltd.	156,000	315,000

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

(2) Other equity instruments

	December 31, 2023	December 31, 2022
Haitong Securities Co., Ltd.	–	80,000

(All amounts in thousands of RMB unless otherwise stated)

45. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(c) Other related party transactions

(1) Key management personnel

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

	Year ended December 31	
	2023	2022
Basic salaries and allowances	**6,106**	6,106
Bonuses	**17,854**	12,904
Employer's contribution to pension schemes	**2,558**	2,692
Total	**26,518**	21,702

(2) Payment of referral service fees to related party

	Year ended December 31	
	2023	2022
Haitong Securities Co., Ltd.	**1,338**	1,767
Haitong Futures Co., Ltd.	**19**	—

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 in thousands of RMB unless otherwise stated)

45. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(c) Other related party transactions (continued)

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

	Year ended December 31	
	2023	2022
Haitong Securities Co., Ltd.	**67,980**	50,511
Shanghai Haitong Securities Asset Management Co., Ltd.	**4,420**	4,636
Haitong International Securities Co., Ltd.	**—**	999
Shanghai HFT Fortune Asset Management Co., Ltd.	**—**	44

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.

46. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY

	December 31, 2023	December 31, 2022
Non-current assets		
Property and equipment	**1,800,726**	1,802,903
Right-of-use assets	**24,412**	33,152
Intangible assets	**56,453**	17,262
Finance lease receivables	**10,096,233**	6,045,122
Receivables arising from sale and leaseback arrangements	**39,413,684**	47,306,203
Financial assets at fair value through profit or loss	**15,697**	64,820
Investments in subsidiaries	**4,389,034**	4,376,100
Deferred tax assets	**1,744,424**	1,561,513
Other assets	**1,575,825**	1,914,594
Total non-current assets	**59,116,488**	63,121,669

(All amounts in thousands of RMB unless otherwise stated)

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

	December 31, 2023	December 31, 2022
Current assets		
Finance lease receivables	7,186,225	10,620,007
Receivables arising from sale and leaseback arrangements	37,168,188	34,870,324
Loans and receivables	119,256	218,445
Other assets	249,331	233,621
Accounts receivable	35,448	118,843
Financial assets held under resale agreements	199,398	—
Financial assets at fair value through profit or loss	1,088,863	605,987
Derivative financial assets	32,794	32,142
Cash and bank balances	6,683,470	4,188,686
Total current assets	52,762,973	50,888,055
Total assets	111,879,461	114,009,724
Current liabilities		
Borrowings	22,490,237	24,776,186
Derivative financial liabilities	5,719	76,171
Accrued staff costs	244,826	300,241
Accounts payable	277,034	212,136
Bonds payable	21,564,414	22,413,137
Income tax payable	519,685	620,169
Other liabilities	4,191,196	5,847,147
Total current liabilities	49,293,111	54,245,187
Net current assets/(liabilities)	3,469,862	(3,357,132)
Total assets less current liabilities	62,586,350	59,764,537

(All amounts in thousands of RMB unless otherwise stated)

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

	December 31, 2023	December 31, 2022
Equity		
Share capital	8,235,300	8,235,300
Other equity instruments	3,430,674	2,642,903
Reserves		
— Capital reserve	2,464,749	2,483,230
— Surplus reserve	826,943	713,394
— Hedging reserve	(17,570)	(78,391)
Retained profits	4,395,422	4,246,425
Total equity	19,335,518	18,242,861
Non-current liabilities		
Borrowings	18,824,313	19,895,379
Bonds payable	19,867,595	16,404,721
Other liabilities	4,558,924	5,221,576
Total non-current liabilities	43,250,832	41,521,676
Total equity and non-current liabilities	62,586,350	59,764,537

(All amounts in thousands of RMB unless otherwise stated)

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

	Share capital	Other equity instruments	Capital reserve	Surplus reserve	Hedging reserve	Retained profits	Total equity
At December 31, 2022	8,235,300	2,642,903	2,483,230	713,394	(78,391)	4,246,425	18,242,861
Profit for the year	–	136,842	–	–	–	1,135,491	1,272,333
Other comprehensive income for the year	–	–	–	–	60,821	–	60,821
Total comprehensive income for the year	–	136,842	–	–	60,821	1,135,491	1,333,154
Issuance of other equity instruments	–	2,013,023	(18,481)	–	–	–	1,994,542
Redemption of other equity instruments	–	(1,130,000)	–	–	–	–	(1,130,000)
Appropriation to surplus reserve	–	–	–	113,549	–	(113,549)	–
Distribution of other equity instruments	–	(232,097)	–	–	–	–	(232,097)
Dividends recognised as distribution	–	–	–	–	–	(872,942)	(872,942)
Other	–	3	–	–	–	(3)	–
At December 31, 2023	8,235,300	3,430,674	2,464,749	826,943	(17,570)	4,395,422	19,335,518

	Share capital	Other equity instruments	Capital reserve	Surplus reserve	Hedging reserve	Retained profits	Total equity
At December 31, 2021	8,235,300	2,384,512	2,490,185	585,260	11,621	3,661,457	17,368,335
Profit for the year	–	97,903	–	–	–	1,281,414	1,379,317
Other comprehensive expense for the year	–	–	–	–	(90,012)	–	(90,012)
Total comprehensive income/(expense) for the year	–	97,903	–	–	(90,012)	1,281,414	1,289,305
Issuance of other equity instruments	–	1,462,009	–	–	–	–	1,462,009
Redemption of other equity instruments	–	(1,193,045)	(6,955)	–	–	–	(1,200,000)
Appropriation to surplus reserve	–	–	–	128,134	–	(128,134)	–
Distribution of other equity instruments	–	(108,553)	–	–	–	–	(108,553)
Dividends recognised as distribution	–	–	–	–	–	(568,235)	(568,235)
Other	–	77	–	–	–	(77)	–
At December 31, 2022	8,235,300	2,642,903	2,483,230	713,394	(78,391)	4,246,425	18,242,861

(All amounts in thousands of RMB unless otherwise stated)

47. FINANCIAL INSTRUMENTS

Categories of financial instruments

	December 31, 2023	December 31, 2022
Financial assets		
Financial assets measured at amortised cost:		
Cash and bank balances	9,335,839	6,120,974
Receivables arising from sale and leaseback arrangements	79,516,505	84,549,952
Loans and receivables	164,654	348,517
Accounts receivable	107,039	196,956
Financial assets held under resale agreements	199,398	—
Other financial assets	2,719,611	2,782,372
Financial assets at fair value through profit or loss:		
Financial assets at fair value through profit or loss	1,129,996	713,340
Derivative financial assets	88,275	113,356
Total	93,261,317	94,825,467

	December 31, 2023	December 31, 2022
Financial liabilities		
Financial liabilities measured at amortised cost:		
Borrowings	45,793,368	48,819,281
Accounts payable	277,034	201,746
Bonds payable	45,387,807	42,553,276
Other financial liabilities	9,704,720	12,158,976
Financial liabilities at fair value through profit or loss:		
Derivative financial liabilities	5,719	76,171
Total	101,168,648	103,809,450

48. FINANCIAL RISK MANAGEMENT

Overview of financial risk management

The Group's activities expose it to a variety of financial risks. The Group identifies, evaluates and manages risks. The Group's risk management objective is to achieve an appropriate balance between risk and return, and minimise potential adverse effects on the Group's financial performance.

The Group's risk management policies are designed to identify and analyse risks to set appropriate risk limits and control procedures, and to monitor the risks through appropriate control processes.

The board of directors of the Company establishes overall risk management strategy. The management establishes related risk management policies and procedures. Such risk policies and procedures are carried out by Risk Management Department, Credit Review & Approval Department, Commerce Department, Asset Management Department, Business Department, Compliance Department, Treasury Management Department, Finance Department and other relevant committees after the approval of the board of directors.

The major financial risks of the Group are credit risk, market risk and liquidity risk. Market risk includes foreign currency risk, interest rate risk and price risk.

Credit risk

Credit risk refers to the risk that a customer or counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group is exposed to credit risk in relation to its bank balances, finance lease receivables, receivables arising from sale and leaseback arrangements, entrusted loans and other loans, accounts receivable, financial assets held under resale agreements, derivative financial assets and other financial assets. The Group's credit risk is primarily attributable to its finance lease receivables and receivables arising from sale and leaseback arrangements which is the risk of the lessees being unable to meet its contractual obligations.

The Group implemented standardised management procedures over the processes of target customers selection, the due diligence and application, credit review and approval, finance lease business disbursement, post-lending monitoring, management of non-performing receivables and other aspects. Through implementation of relevant credit risk management policies and procedures, the effective use of lease information system and optimisation of the portfolio of finance leases business, the Group is able to timely and effectively identify, monitor and manage its potential credit risks.

Changes in the economic environment will have an impact on the Group's finance lease business, and the adverse effects will increase the possibility of losses incurred by the Group. The Group's current major business operations are in Mainland China, but the differences of economic development in different regions require the Group to closely manage the relevant credit risks. The Business Department, Credit Review & Approval Department, Asset Management Department and Risk Management Department in charge of different industries and regions are responsible for the whole chain management of the credit risks in this order, and periodically reporting on the quality of assets to the board of directors of the Company. The Group has established mechanisms to set credit risk limits for individual lessees and periodically monitor the above credit risk limits.

48. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

Risk limit management and mitigation measures

The Group manages, limits, and controls the concentration of credit risks and, as far as possible, avoids risks concentration on single lessee, industry or region.

The Group manages customer limits to optimise the credit risk structure. The Group performs pre-project analysis of the lessee's ability to repay principal and interest, real-time supervision of the lessee's actual repayment status during the project to manage credit risks.

Other specific management and mitigation measures include:

(a) Guarantee

The Group has developed a series of policies to mitigate credit risk, including obtaining collateral/pledge, security deposit and guarantee from an enterprise or individual.

According to the characteristics of the finance lease and sale and leaseback transactions, the Group has the ownership of the asset under the lease during the lease term. In the event of default, the Group is entitled to terminate the contract and repossess the leased asset if the lessee fails to pay the rentals within a reasonable period after being notified.

In addition, the Group requests a third party guarantee or collateral from certain lessees, depending on the lessee's credit status and credit risk degree of the finance lease. The management evaluates the capability of the guarantor, the ownership and value of the mortgage and pledge and the feasibility of realising the mortgage and pledge.

(b) Insurance on the asset of the finance lease and sale and leaseback transactions

For finance lease and sale and leaseback transactions, the ownership of the lease asset belongs to the Group before the expiry of the lease, but the risks and rewards in operational use and maintenance have been transferred to the lessee. Therefore, if any accidents occur to the asset, the lessee should immediately report the case to the insurance company and notify the Group, provide accident report with relevant documents and settle claims with the insurance company.

Group's exposure to credit risk

The Group considers all elements of credit risk exposure such as counterparty default risk and sector risk for risk management purposes. In addition to the credit risk limit management and other mitigation measures as described above, the Group monitors all financial assets that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime ECL rather than 12-month ECL.

48. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

Group's exposure to credit risk (continued)

In order to minimise credit risk, the Group has tasked to develop and maintain the Group's credit risk grading to categorise exposures according to their degree of risk of default. The credit grading information is based on a range of data that is determined to be predictive of the risk of default. The nature of the exposure and the type of counterparty are taken into account in the analysis. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default.

The internal credit risk grades are designed and calibrated to reflect the risk of default as credit quality deteriorates. As the credit risk increases, the difference in risk of default between grades changes. Each exposure is allocated with a credit risk grade at initial recognition, based on the available information about the counterparty. All exposures are monitored and the credit risk grade is updated to reflect current information. The Group uses credit risk grades as a primary input into the determination of the term structure of the probability of default ("PD") for exposures. The Group uses both quantitative and qualitative criteria to determine whether credit risk has increased significantly.

The Groups uses forward-looking macro-economic data such as year on year Gross Domestic Product ("GDP"), Consumer Price Index ("CPI"), Fixed-Asset Investment, etc. in its assessment of significant increase in credit risk as well as in its measurement of ECL. The Group develops the forward-looking adjustment on ECL by building the relationship between these forward-looking macro-economic data and the business risk characteristics. In addition to the neutral scenario, the Group also develops other possible scenarios and corresponding weights in combination with prediction of authoritative institutions. The Group measures PD as a weighted average of PD under optimistic, neutral, and pessimistic scenarios, with the combination of the loss given default ("LGD") of different business, the Group calculates the forward-looking adjusted ECL. The outstanding estimates used to measurement of ECL as at the end of 2023 are as follows: Three different scenarios ("Optimistic", "Neutral" and "Pessimistic") are applicable to all portfolio. The weight of the "Neutral" is the highest among the three scenarios and greater than the sum of the weights of the other two scenarios.

As at the end of 2023, the Group conducted stress testing on the macro-economic data used in forward-looking measurement. When the weights of optimistic scenario increase by 10% and neutral scenario decrease by 10% or pessimistic scenario increase by 10% and neutral scenario decrease by 10%, the impact on the Group's ECL allowances is insignificant.

(All amounts in thousands of RMB unless otherwise stated)

48. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

Group's exposure to credit risk (continued)

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

Category	Description	Basis for recognising ECL
Stage 1	For financial assets that have low risk of default or where there has not been a significant increase in credit risk since initial recognition and that are not credit impaired.	12m ECL
Stage 2	For financial assets where there has been a significant increase in credit risk since initial recognition but that are not credit impaired.	Lifetime ECL — not credit impaired
Stage 3	Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred.	Lifetime ECL — credit impaired

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

	December 31, 2023	December 31, 2022
Financial assets measured at amortised cost:		
Cash and bank balances	9,335,839	6,120,974
Receivables arising from sale and leaseback arrangements	79,516,505	84,549,952
Loans and receivables	164,654	348,517
Accounts receivable	107,039	196,956
Financial assets held under resale agreements	199,398	—
Other financial assets	2,719,611	2,782,372
Financial instruments measured at fair value:		
Financial assets at fair value through profit or loss	774,040	257,703
Derivative financial assets	88,275	113,356
Finance lease receivables	19,892,445	19,458,454
Total	112,797,806	113,828,284

The amounts of the credit risk exposures set out above are the carrying amounts as at December 31, 2023 and 2022. For financial instruments measured at fair value, the risk exposure considered as its carrying value changes in accordance with future fair value.

(All amounts in thousands of RMB unless otherwise stated)

48. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

Group's exposure to credit risk (continued)

Finance lease receivables, receivables arising from sale and leaseback arrangements and loans and receivables

For finance lease receivables, receivables arising from sale and leaseback arrangements, and loans and receivables, the Group has applied the three-stage impairment approach in IFRS 9 to measure ECL. Refer to Notes 19, 20 and 21 for the stage details, respectively.

Accounts receivable and other financial assets

For accounts receivable, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. For other financial assets, the Group has applied the general approach in IFRS 9 to measure the loss allowance for ECL.

Bank balances

Bank balances are determined to have low credit risk at the reporting date. The credit risk on bank balances is limited because the counterparties are reputable banks, and the risk of inability to pay or redeem at the due date is low.

Financial assets held under resale agreements

The credit risk on the financial assets held under resale agreements is limited because the Group mainly invests in treasury bonds held under resale agreements. There has not been a significant increase in credit risk of the financial assets held under resale agreements since the risk of inability to pay or redeem at the due date is low.

Concentration risk analysis for financial assets with credit risk exposure

Industry analysis for present value of minimum finance lease receivables

	As at 31 December 2023		As at 31 December 2022	
	Amounts	%	Amounts	%
Advanced manufacturing	8,352,401	40.14	9,702,828	46.10
Transportation & logistics	7,951,731	38.21	7,054,834	33.52
Energy and environmental protection	1,422,545	6.84	725,197	3.45
Construction	1,294,482	6.22	819,129	3.89
Healthcare	644,396	3.10	1,034,286	4.91
Urban utilities	449,329	2.16	658,233	3.13
Cultural and tourism	413,501	1.99	496,209	2.36
Others	281,031	1.34	557,630	2.64
Total	20,809,416	100.00	21,048,346	100.00

(All amounts in thousands of RMB unless otherwise stated)

48. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

Group's exposure to credit risk (continued)

Concentration risk analysis for financial assets with credit risk exposure (continued)

Industry analysis for present value of receivables arising from sale and leaseback arrangements

	As at 31 December 2023		As at 31 December 2022	
	Amounts	%	Amounts	%
Energy and environmental protection	16,335,440	20.07	15,744,620	18.36
Construction	15,660,707	19.24	13,686,434	15.96
Urban utilities	14,712,186	18.08	19,305,680	22.52
Advanced manufacturing	14,215,065	17.47	14,909,489	17.39
Cultural and tourism	7,460,931	9.17	6,832,345	7.97
Healthcare	6,869,496	8.44	6,182,575	7.21
Transportation & logistics	4,780,551	5.87	7,570,681	8.83
Others	1,355,683	1.66	1,503,158	1.76
Total	81,390,059	100.00	85,734,982	100.00

Market risk

The Group is exposed to market risks that may cause losses to the Group as a result of adverse changes in market prices.

Market risks measurement techniques

The Group currently establishes position limits and uses sensitivity analysis to measure and control market risks. The Group regularly calculates and monitors the foreign exchange risk exposure, as well as the difference (net exposure) between interest-bearing assets and liabilities which would need to be repriced or mature in a certain period, and then uses the net exposure information to perform sensitivity analysis under changing exchange rate and market interest rate.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates.

(All amounts in thousands of RMB unless otherwise stated)

48. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk (continued)

Foreign currency risk (continued)

Foreign currency risk of the Group is mainly attributable to the mismatch of the currencies of assets and liabilities and is mainly affected by changes in the exchange rate of RMB against US dollar. The Group manages its foreign exchange rates under the principle of risk neutralisation by matching the allocation of assets and liabilities of different currencies according to sensitivity analysis of the impact on operation resulting from changes in exchange rate. If necessary, the Group will hedge the exposure of foreign currency risk by using foreign exchange derivatives when chances arise. The operating lease (aircraft leasing) business of the Group is funded by loans denominated in US dollar which can offset part of the foreign currency risk exposure. The Group hedges the foreign currency risk arising from funding by currency forwards and other instruments. Such arrangement effectively minimises the foreign currency risk exposure. The foreign currency risk of the Group as a whole is relatively low and has no significant effect on the profits of the Group for the year.

The carrying amounts of the Group's foreign currency denominated assets and liabilities at the end of each reporting period were as follows:

	Assets		Liabilities	
	December 31, 2023	December 31, 2022	**December 31, 2023**	December 31, 2022
	RMB'000	RMB'000	**RMB'000**	RMB'000
United States dollar	**858,937**	918,237	**5,017,210**	6,829,040

Sensitivity analysis

The Group is mainly exposed to the effects of fluctuation in USD against RMB.

The following table details the Group's sensitivity to a 5% appreciation and depreciation in RMB, the functional currency of the company, against USD 5% in the sensitivity rate represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation as at year ended date for a 5% change in foreign currency rate. The analysis illustrates the impact for a 5% strengthening or weakening of USD against RMB, the impacts on the Group's total comprehensive income for the year are as follows.

	December 31, 2023	December 31, 2022
5% strengthening of USD against RMB	**(155,935)**	(164,915)
5% weakening of USD against RMB	**155,935**	164,915

(All amounts in thousands of RMB unless otherwise stated)

48. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's exposure to interest rate risk relates primarily to the Group's bank balances, finance lease receivables, receivables arising from sale and leaseback arrangements, loans and receivables, accounts receivable, financial assets held under resale agreements, derivative financial instruments, other financial assets, borrowings, accounts payable, bonds payable, and other financial liabilities.

Management closely monitors the market, and controls interest rate sensitivity gap by adjusting asset and liability structure, so as to achieve effective management of interest rate risk.

Fluctuations of prevailing rate of LPR and SOFR are the major sources of the Group's cash flows interest rate risk.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for interest bearing financial assets and liabilities. The analysis is prepared assuming the interest bearing financial assets and liabilities outstanding at the end of each reporting period were outstanding for the whole year. When reporting to the management on the interest rate risk, the Group will adopt a 100 basis points increase or decrease for sensitivity analysis, when considering the reasonably possible change in interest rates.

	December 31, 2023	December 31, 2022
Increase/(Decrease) in net profit		
100 basis points increase	322,705	308,498
100 basis points decrease	(322,705)	(308,498)

Price risk

The Group's exposure to price risk relates primarily to its investments in funds, wealth management products, equity instruments, asset management schemes and trust plans in financial assets at fair value through profit or loss.

The management considers the exposure of the Group to the price risk is insignificant as the Group's investments are not material.

48. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk

Liquidity risk refers to the risk that the Group is unable to obtain fund at a reasonable cost to repay the liabilities or seize other investment opportunities. The objective of the Group's liquidity risk management is to ensure sufficient capital resource at any time to meet the repayment needs of matured liabilities, as well as the lessee's financing demand and seize new investment opportunities.

The major payment demand of the Group is the repayments of matured debt.

Liquidity risk management policy

Each year, the Group formulates annual liquidity risk tolerance level based on comprehensive assessment of future development, operational strategies and market conditions and implements administrative measures accordingly under proper authorisation and approval procedures. In order to effectively monitor and manage liquidity risk, the Group formulates and promulgates policies such as Measures for the Management of Liquidity Risk, and carries out regular liquidity risk management through monthly tracking of the information system and assessment of conditions and indicators of liquidity risk. The details are as follows:

Regarding the intraday liquidity risk management:

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

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

- Establish liquidity risk control indicators system, managing, identifying and tracking risk control indicators, and implementing corresponding warning, report and contingency plans for liquidity risk;

- Draw up emergency plans regarding liquidity risks, launching liquidity emergency drills regularly or irregularly.

Regarding the medium and long-term liquidity risk management:

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

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

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

- Evaluate cooperation with every single major commercial bank, maintains financing reserve from multiple markets and channels, focuses on financing management at the Group level and keeps financing channels unblocked.

(All amounts in thousands of RMB unless otherwise stated)

48. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk (continued)

Cash flow for non-derivative financial instruments

The table below presents the cash flows receivable and payable by the Group under non-derivative financial assets and liabilities and finance lease receivables by remaining contractual maturities at the end of each reporting period. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Group manages the inherent liquidity risk based on expected undiscounted cash inflows:

As at December 31, 2023

	Overdue	On demand	Within 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Financial assets and finance lease receivables							
Cash and bank balances	–	9,288,901	47,053	–	–	–	9,335,954
Financial assets at fair value through profit or loss	–	529,505	51,407	524,296	9,091	15,697	1,129,996
Finance lease receivables	424,718	–	3,125,242	6,963,761	11,405,307	1,967,554	23,886,582
Receivables arising from sale and leaseback arrangements	610,323	–	11,021,745	31,886,177	44,271,383	1,076,326	88,865,954
Loans and receivables	380,333	–	2,344	42,950	1,518	–	427,145
Accounts receivable	27,803	–	–	112,602	–	–	140,405
Financial assets held under resale agreements	–	–	200,048	–	–	–	200,048
Other financial assets	8,556	52,977	6,859	194,011	1,919,606	1,588,545	3,770,554
Non-derivative financial assets total	1,451,733	9,871,383	14,454,698	39,723,797	57,606,905	4,648,122	127,756,638
Financial liabilities							
Borrowings	–	–	5,864,008	19,043,344	22,249,053	1,066,319	48,222,724
Accounts payable	–	277,034	–	–	–	–	277,034
Bonds payable	–	–	8,350,461	16,318,788	22,707,096	–	47,376,345
Other financial liabilities	–	987,407	895,315	2,496,856	5,002,360	322,782	9,704,720
Non-derivative financial liabilities total	–	1,264,441	15,109,784	37,858,988	49,958,509	1,389,101	105,580,823
Net position	1,451,733	8,606,942	(655,086)	1,864,809	7,648,396	3,259,021	22,175,815

(All amounts in thousands of RMB unless otherwise stated)

48. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk (continued)

Cash flow for non-derivative financial instruments (continued)

As at December 31, 2022

	Overdue	On demand	Within 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Financial assets and finance lease receivables							
Cash and bank balances	–	6,017,626	86,129	17,574	–	–	6,121,329
Financial assets at fair value through profit or loss	–	166,789	237,683	201,515	21,724	85,629	713,340
Finance lease receivables	991,061	–	4,014,748	9,816,245	7,097,322	1,586,042	23,505,418
Receivables arising from sale and leaseback arrangements	127,770	–	9,774,963	31,135,522	52,634,411	837,855	94,510,521
Loans and receivables	–	–	43,346	554,233	5,495	–	603,074
Accounts receivable	27,803	–	–	201,257	–	–	229,060
Other financial assets	–	189,914	4,852	85,611	1,911,416	1,427,326	3,619,119
Non-derivative financial assets total	1,146,634	6,374,329	14,161,721	42,011,957	61,670,368	3,936,852	129,301,861
Financial liabilities							
Borrowings	–	–	6,176,253	20,811,475	23,549,061	986,978	51,523,767
Accounts payable	–	201,746	–	–	–	–	201,746
Bonds payable	–	–	6,982,064	17,825,988	19,833,277	–	44,641,329
Other financial liabilities	–	1,414,368	929,438	3,825,052	5,485,600	504,518	12,158,976
Non-derivative financial liabilities total	–	1,616,114	14,087,755	42,462,515	48,867,938	1,491,496	108,525,818
Net position	1,146,634	4,758,215	73,966	(450,558)	12,802,430	2,445,356	20,776,043

(All amounts in thousands of RMB unless otherwise stated)

48. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk (continued)

Cash flow for derivative financial instruments

The following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash (inflows) and outflows on derivative instruments that settle on a net basis, and the undiscounted gross (inflows) and outflows on those derivatives that require gross settlement.

	Within 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
December 31, 2023					
Derivative financial instruments settled on net basis	**8,681**	**23,843**	**24,008**	**–**	**56,532**
Derivative financial instruments settled on gross basis					
Including: Cash inflow	**106,791**	**116,513**	**691,699**	**–**	**915,003**
Cash outflow	**(109,237)**	**(122,008)**	**(656,546)**	**–**	**(887,791)**
	(2,446)	**(5,495)**	**35,153**	**–**	**27,212**

	Within 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
December 31, 2022					
Derivative financial instruments settled on net basis	9,918	15,084	48,177	–	73,179
Derivative financial instruments settled on gross basis					
Including: Cash inflow	1,177,279	714,905	796,928	–	2,689,112
Cash outflow	(1,214,325)	(714,167)	(787,883)	–	(2,716,375)
	(37,046)	738	9,045	–	(27,263)

Capital management

The Group manages its capital to ensure that the companies in the Group are able to operate as a going concern by optimising the structure of the debt and shareholders' equity while maximising shareholders' return. The objective of the Company's capital management is to ensure compliance with the relevant laws, regulations and other regulatory requirements. According to the current relevant laws and regulations in effect, the Company's risk assets shall not exceed 8 times of net assets.

As at December 31, 2023 and 2022, the risk assets to net assets ratio complied with the aforementioned regulations.

(All amounts in thousands of RMB unless otherwise stated)

49. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Group's certain 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 December 31, 2023	Fair value as at December 31, 2022	Fair value hierarchy	Valuation technique(s) and key input(s)
1) Financial assets at fair value through profit or loss				
— Funds	100,000	20,020	Level 2	Net asset value as published by the fund manager.
— Wealth management products	320,062	—	Level 2	Net asset value as published by the product manager.
— Equity instruments	109,443	146,769	Level 1	Quoted bid price in an active market.
	246,513	308,868	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 discounted cash flow, future cash flows are discounted using weighted average cost of capital.
— Asset management schemes and trust plans	51,407	237,683	Level 2	Net asset value as published by the issuer/financial institution.
— Debt securities	302,571	—	Level 2	Net asset value as published by financial institution.

(All amounts in thousands of RMB unless otherwise stated)

49. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

Financial assets/ financial liabilities	Fair value as at December 31, 2023	Fair value as at December 31, 2022	Fair value hierarchy	Valuation technique(s) and key input(s)
2) Currency forwards	**Assets: 1,702 Liabilities: (5,719)**	Assets: 19,988 Liabilities: (40,626)	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: 53,779 Liabilities: –**	Assets: 87,005 Liabilities: (18,745)	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: 32,794 Liabilities: –**	Assets: 6,363 Liabilities: (16,800)	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.

(All amounts in thousands of RMB unless otherwise stated)

49. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

Management determines the fair value of the Group's level 3 equity instruments using valuation techniques that incorporate unobservable input. These financial instruments are valued using cash flow discount method and market approach, which incorporate various unobservable assumptions such as discount rate, market rate volatilities, expected rate of return, and market liquidity discounts.

As at December 31, 2023, the effects of changes in significant unobservable assumptions to reasonably possible alternative assumptions were immaterial.

There was no transfer between Level 1 and Level 2 during the years ended December 31, 2023 and 2022.

The following table represents the changes in Level 3 financial instruments for the relevant years.

Financial assets at FVTPL

	Year ended December 31	
	2023	2022
At the beginning of the year	**308,868**	430,630
Changes in fair value recognised in profit or loss	**(76,691)**	(121,762)
Additions	**10,273**	—
Transferred from level 1	**4,063**	—
At the end of the year	**246,513**	308,868
Total losses for assets held at the end of the year		
— unrealised losses recognised in profit or loss	**(76,691)**	(121,762)

(All amounts in thousands of RMB unless otherwise stated)

49. 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:

	December 31, 2023				
	Carrying amount	**Fair value**	**Level 1**	**Level 2**	**Level 3**
Financial liabilities:					
Bonds payable	**45,387,807**	**45,608,137**	**–**	**45,608,137**	**–**

	December 31, 2022				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial liabilities:					
Bonds payable	42,553,276	42,687,995	–	42,687,995	–

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

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

(All amounts in thousands of RMB unless otherwise stated)

50. PARTICULARS OF SUBSIDIARIES

Details of the subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below:

Name of subsidiaries	Place and date of incorporation/ establishment	Registered capital/issued share capital	Equity interest held by the Company At December 31, 2023	2022	Principal activities/ place of operation
Directly held:					
Haitong Unitrust International Financial Leasing (Tianjin) Corporation	PRC, 2011	RMB 210,000,000	**100%**	100%	Leasing, PRC
Shanghai UniCircle Investment & Development Co., Ltd.	PRC, 2006	RMB 100,000,000	**100%**	100%	Property management, logistics management, catering management, PRC
Haitong UniFortune Financial Leasing (Shanghai) Corporation	PRC, 2014	RMB 1,360,000,000	**100%**	100%	Leasing, PRC
Haitong UT Leasing HK Limited	Hong Kong, 2017	USD 253,148,444	**100%**	100%	Leasing, Hong Kong
Penglai Hengshi Properties Limited	PRC, 2018	RMB 15,000,000	**95%**	95%	Government outsourcing businesses, PRC
Longyao County Hengjing Engineering Project Management Co., Ltd.	PRC, 2018	RMB 37,608,500	**90%**	90%	PPP project management, PRC
Longyao County Yutong Engineering Project Management Co., Ltd.	PRC, 2018	RMB 65,151,880	**90%**	90%	PPP project management, PRC
Tonggu County Dingxin Engineering Project Management Co., Ltd. (Note i)	PRC, 2019	RMB 134,000,000	**73.9%**	73.9%	PPP project management, PRC
Qimen County Dingxin Engineering Project Management Co., Ltd. (Note i)	PRC, 2020	RMB 165,072,820	**85%**	85%	PPP project management, PRC
Haitong UT MSE Financial Leasing (Shanghai) Co., Ltd.	PRC, 2016	RMB 1,500,000,000	**100%**	100%	Leasing, PRC

(All amounts in thousands of RMB unless otherwise stated)

50. PARTICULARS OF SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Place and date of incorporation/ establishment	Registered capital/issued share capital	Equity interest held by the Company At December 31, 2023	2022	Principal activities/ place of operation
Directly held (continued):					
Shanghai Dingjie Construction Development Co., Ltd.	PRC, 2018	RMB 20,000,000	100%	100%	Information consulting service, leasing, PRC
Indirectly held:					
Haitong UT Leasing Irish Holding Corporation Limited	Ireland, 2017	USD1	100%	100%	Aircraft related business,Ireland
Haitong Unitrust No. 1 Limited	Ireland, 2016	USD1	100%	100%	Aircraft leasing, PRC (Note ii)
Haitong Unitrust No. 2 Limited	Ireland, 2017	USD1	100%	100%	Aircraft leasing, PRC (Note ii)
Haitong Unitrust No. 3 Limited	Ireland, 2017	USD1	100%	100%	Aircraft leasing, Philippines (Note ii)
Haitong Unitrust No. 4 Limited	Ireland, 2017	USD1	100%	100%	Aircraft leasing, Philippines (Note ii)
Haitong Unitrust No. 5 Limited (Note iii)	Ireland, 2017	USD1	100%	100%	Aircraft leasing
Haitong Unitrust No. 6 Limited (Note iii)	Ireland, 2017	USD1	N/A	100%	Aircraft leasing
Haitong UT Leasing Irish Finance Limited	Ireland, 2018	USD1	100%	100%	Financial service on aircraft related business, Ireland
Haitong UT HK 1 Limited	Hong Kong, 2018	USD 34,318,864 (Note iv)	100%	100%	Aircraft leasing, Qatar (Note ii)
Haitong UT HK 2 Limited	Hong Kong, 2018	USD 34,496,253 (Note iv)	100%	100%	Aircraft leasing, Qatar (Note ii)
Haitong UT HK 3 Limited	Hong Kong, 2018	USD 9,946,229 (Note iv)	100%	100%	Aircraft leasing, Indonesia (Note ii)

(All amounts in thousands of RMB unless otherwise stated)

50. PARTICULARS OF SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Place and date of incorporation/ establishment	Registered capital/issued share capital	Equity interest held by the Company At December 31, 2023	2022	Principal activities/ place of operation
Indirectly held (continued):					
Haitong UT HK 4 Limited	Hong Kong, 2018	USD 9,935,502 (Note iv)	**100%**	100%	Aircraft leasing, Indonesia (Note ii)
Haitong UT HK 5 Limited	Hong Kong, 2018	USD 9,823,594 (Note iv)	**100%**	100%	Aircraft leasing, PRC (Note ii)
Haitong UT HK 6 Limited	Hong Kong, 2018	USD 9,819,150 (Note iv)	**100%**	100%	Aircraft leasing, PRC (Note ii)
Haitong UT HK 7 Limited	Hong Kong, 2018	USD 23,719,696 (Note iv)	**100%**	100%	Aircraft leasing, PRC (Note ii)
Haitong UT HK 8 Limited	Hong Kong, 2018	USD 23,112,966 (Note iv)	**100%**	100%	Aircraft leasing, PRC (Note ii)
Haitong UT HK 9 Limited	Hong Kong, 2018	USD1	**100%**	100%	Financial service on aircraft related business, Hong Kong
Haitong UT HK 10 Limited	Hong Kong, 2018	USD1	**100%**	100%	Financial service on aircraft related business, Hong Kong
Haitong UT HK 15 Limited	Hong Kong, 2019	USD 12,982,749 (Note iv)	**100%**	100%	Aircraft leasing, Malaysia (Note ii)
Haitong UT HK 16 Limited	Hong Kong, 2019	USD 14,670,686 (Note iv)	**100%**	100%	Aircraft leasing, Malaysia (Note ii)
Haitong UT HK 17 Limited	Hong Kong, 2019	USD 17,675,148 (Note iv)	**100%**	100%	Aircraft leasing, PRC (Note ii)
Haitong UT HK 18 Limited	Hong Kong, 2020	USD 9,775,304 (Note iv)	**100%**	100%	Aircraft leasing, PRC (Note ii)
Haitong UT HK 19 Limited	Hong Kong, 2020	USD 10,939,475 (Note iv)	**100%**	100%	Aircraft leasing, PRC (Note ii)

(All amounts in thousands of RMB unless otherwise stated)

50. PARTICULARS OF SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Place and date of incorporation/ establishment	Registered capital/issued share capital	Equity interest held by the Company At December 31, 2023	2022	Principal activities/ place of operation
Indirectly held (continued):					
Haitong UT Brilliant Limited	Hong Kong, 2020	USD1	100%	100%	Financing vehicle, Hong Kong
Haitong Unitrust No. 1 Leasing (Tianjin) Corporation	PRC, 2019	RMB100,000	100%	100%	Aircraft leasing, PRC (Note ii)
Haitong Unitrust No. 2 Leasing (Tianjin) Corporation	PRC, 2019	RMB100,000	100%	100%	Aircraft leasing, PRC (Note ii)
Haitong Unitrust No. 3 Leasing (Tianjin) Corporation	PRC, 2021	RMB100,000	100%	100%	Aircraft leasing, PRC (Note ii)
Haitong Unitrust No. 4 Leasing (Tianjin) Corporation	PRC, 2021	RMB100,000	100%	100%	Aircraft leasing, PRC (Note ii)

Note i: For the year ended December 31, 2023, the subsidiary of the Company received paid-in amount of registered capital of RMB3,056 thousand from its minority shareholders (2022: RMB3,915 thousand). The paid-in amount from the above minority shareholders were recognised as non-controlling interests.

Note ii: Place of operation represents the location of the lessee in aircraft leasing business.

Note iii: Liquidated before the reporting date.

Note iv: The subsidiary of the Company completed the procedures for the change of registered capital in February, 2023.

As at December 31, 2023 and 2022, the subsidiaries of the Group which are established in the PRC are all limited liability companies registered under the PRC law.

As at December 31, 2023, none of the subsidiaries had issued any debt securities at the end of the year except for Haitong UT Brilliant Limited which had medium term notes with outstanding principal of USD300 million, Haitong UT MSE Financial Leasing (Shanghai) Co., Ltd. which had asset-backed securities with outstanding principal of RMB 1,279 million and asset-backed notes with outstanding principal of RMB 90 million, Haitong UniFortune Financial Leasing (Shanghai) Corporation which had asset-backed securities with outstanding principal of RMB 486 million.

51. SUBSEQUENT EVENTS

The Group had no material subsequent events required disclosures after December 31, 2023.

52. COMPARATIVE FIGURES

Certain comparative figures have been adjusted to conform with changes in disclosures in current year.