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Application Proof of

海通恒信國際租賃股份有限公司

Haitong UniTrust International Leasing Co., Ltd.

(the "Company")

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

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If an offer or an invitation is made to the public in Hong Kong in due course, prospective investors are reminded to make their investment decisions solely based on the Company's prospectus registered with the Registrar of Companies in Hong Kong, copies of which will be distributed to the public during the offer period.

IMPORTANT

IMPORTANT: If you are in any doubt about this Document, you should obtain independent professional advice.



海通恒信國際租賃股份有限公司
Haitong UniTrust International Leasing Co., Ltd.

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

[REDACTED]

Number of [REDACTED]	**:**	**[REDACTED] H shares (subject to the [REDACTED])**
Number of [REDACTED]	**:**	**[REDACTED] H shares (including, for the avoidance of doubt, the [REDACTED] pursuant to the [REDACTED], subject to adjustment (as applicable) and the [REDACTED])**
Number of [REDACTED]	**:**	**[REDACTED] H shares (subject to adjustment)**
[REDACTED] (subject to a [REDACTED]):	**:**	**[REDACTED] per H Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005% (payable in full at the maximum [REDACTED] on application in HK dollars and subject to refund)**
		[REDACTED]
Nominal value	**:**	**RMB1.00 per H share**
		[REDACTED]

Joint Sponsors

海通國際 HAITONG　CICC 中金公司　citi　招銀国际 CMB INTERNATIONAL

[REDACTED]

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A copy of this Document, having attached thereto the documents specified in the paragraph headed "Documents Delivered to the Registrar of Companies" in Appendix VII to this Document, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this Document or any other document referred to above.

The **[REDACTED]** is expected to be fixed by agreement between the **[REDACTED]** (for themselves and on behalf of the **[REDACTED]**) and us on the **[REDACTED]**. The **[REDACTED]** is expected to be on or around **[REDACTED]** (Hong Kong time) and, in any event, not later than **[REDACTED]** (Hong Kong time). The **[REDACTED]** will be not more than HK$**[REDACTED]** per **[REDACTED]** and is currently expected to be not less than HK$**[REDACTED]** per **[REDACTED]**. If, for any reason, the **[REDACTED]** is not agreed by **[REDACTED]** (Hong Kong time) between the **[REDACTED]** (for themselves and on behalf of the **[REDACTED]**) and us, the **[REDACTED]** will not proceed and will lapse.

The [REDACTED], for themselves and on behalf of the [REDACTED], and with our consent may determine the [REDACTED], at any time on or prior to the [REDACTED]. In such situation, the Company will, as soon as practicable following the decision to set the [REDACTED] below the bottom end of the [REDACTED], publish on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company's website (www.utfinancing.com) an announcement of the [REDACTED] after making a [REDACTED]. Such announcement will be issued before and separate from the announcement of the results of allocations expected to be announced on [REDACTED]. The [REDACTED] announced following making of a [REDACTED] shall be the [REDACTED] and shall not be subsequently changed. In the absence of an announcement that a [REDACTED] has been made, the [REDACTED] will not be outside the [REDACTED] as disclosed in this document unless the [REDACTED] is utilised. Further details are set forth in "Structure of the [REDACTED]" and "How to Apply for [REDACTED] and [REDACTED]" in this Document.

We are incorporated, and a majority part of our businesses are located, in the PRC. Potential **[REDACTED]** should be aware of the differences in the legal, economic and financial systems between the PRC and Hong Kong and that there are different risk factors relating to investment in PRC-incorporated companies. Potential **[REDACTED]** should also be aware that the regulatory framework in the PRC is different from the regulatory framework in Hong Kong and should take into consideration the different market nature of the Shares of the Company. Such differences and risk factors are set out in the sections headed "Risk Factors," "Appendix IV – Summary of Principal Legal and Regulatory Provisions" and "Appendix V – Summary of Articles of Association" in this Document.

The **[REDACTED]** have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States or to, or for the account or benefit of U.S. persons, except that **[REDACTED]** may be offered, sold or delivered to (i) Qualified Institutional Buyers in reliance on an exemption from registration under the U.S. Securities Act provided by, and in accordance with the restrictions of, Rule 144A, or another available exemption from registration under the U.S. Securities Act and (ii) outside the United States in accordance with Regulation S.

The obligations of the [REDACTED] under the [REDACTED] are subject to termination by the [REDACTED] (for themselves and on behalf of the [REDACTED]) if certain grounds arise prior to 8:00 a.m. on the [REDACTED]. See "[REDACTED]" in this Document.

EXPECTED TIMETABLE[(1)]

[REDACTED]

EXPECTED TIMETABLE[(1)]

[REDACTED]

EXPECTED TIMETABLE[(1)]

[REDACTED]

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This Document is issued by our Company solely in connection with the **[REDACTED]**, *the* **[REDACTED]**, *the* **[REDACTED]** *and the* **[REDACTED]** *and does not constitute an* **[REDACTED]** *to sell or a solicitation of an* **[REDACTED]** *to subscribe for or buy any security other than the* **[REDACTED]** *and the* **[REDACTED]**. *This Document may not be used for the purpose of, and does not constitute, an* **[REDACTED]** *to sell or a solicitation of an* **[REDACTED]** *to subscribe for or buy any security in any other jurisdiction or in any other circumstances. No action has been taken to permit a* **[REDACTED]** *of the* **[REDACTED]** *or the distribution of this Document in any jurisdictions other than Hong Kong. The distribution of this Document and the* **[REDACTED]** *and sale of the* **[REDACTED]** *in other jurisdiction are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. You should rely only on the information contained in this Document and the* **[REDACTED]** *to make your* **[REDACTED]** *decision. We have not authorized anyone to provide you with information that is different from that contained in this Document. Any information or representation not included in this Document must not be relied on by you as having been authorized by us, the* **[REDACTED]**, *the* **[REDACTED]**, *the* **[REDACTED]**, *the* **[REDACTED]**, *the* **[REDACTED]**, *any of our or their respective directors or advisors, or any other person or party involved in the* **[REDACTED]**. *Information contained on our website, located at www.utfinancing.com, does not form part of this Document.*

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SUMMARY

This summary aims to give you an overview of the information contained in this Document. As it is a summary, it does not contain all the information that may be important to you and is qualified by its entirety by, and should be read in conjunction with, the full text of this Document. You should read this Document in its entirety before you decide to **[REDACTED]** *in the* **[REDACTED]**.

There are risks associated with an **[REDACTED]** *in the* **[REDACTED]**. *We set out some of the particular risks in* **[REDACTED]** *in the* **[REDACTED]** *in "Risk Factors." You should read that section carefully before you decide to* **[REDACTED]** *in the* **[REDACTED]**.

OVERVIEW

We are a large and fast-growing financial leasing company in China. As the sole leasing platform and one of the key strategic segments of Haitong Securities, a leading securities firm in China, we offer customer-oriented and innovative financial services to a diverse group of customers across various industries by leveraging the investment banking expertise of Haitong Securities and our senior management. According to Frost & Sullivan, we ranked third among foreign-funded financial leasing companies under the MOFCOM's regulation in terms of total revenue in 2017 and total assets as of December 31, 2017. The **[REDACTED]** will result in the **[REDACTED]** and separate **[REDACTED]** of our Group from Haitong Securities.

Our businesses comprise financial leasing, operating leasing, factoring, entrusted loans and other loans, as well as advisory services. The following table sets forth our revenue by business line for the periods indicated:

	For the year ended December 31,					
	2016		2017		2018	
	Amount	% of total	Amount	% of total	Amount	% of total
	(RMB in millions, except percentages)					
Finance lease income	2,303.4	72.8%	2,675.8	66.3%	3,698.4	69.4%
Operating lease income	7.3	0.2%	86.0	2.1%	174.3	3.3%
Factoring income	87.3	2.8%	359.8	8.9%	473.5	8.9%
Entrusted loan and other loan income[1]	42.0	1.3%	61.8	1.6%	74.0	1.4%
Service fee income[2]	723.8	22.9%	853.4	21.1%	912.0	17.0%
Total revenue	**3,163.7**	**100.0%**	**4,036.8**	**100.0%**	**5,332.3**	**100.0%**

(1) In 2016, entrusted loan and other loan income consisted solely of interest income on entrusted loans we provided to customers in the PRC. In July 2017, Haitong UT Capital assigned two existing loans with an aggregate principal of US$10 million with a third party to our subsidiary, Haitong UT Leasing Irish Holding Corporation Limited; and our subsidiary, Haitong UT Leasing HK, extended loans to certain corporate customers. As a result, we generated interest income on such loans in addition to that on entrusted loans in 2017 and 2018.

(2) Consists of advisory service fees we charge our customers.

We have adopted a "One Body, Two Wings" business development model. On the one hand, our headquarters operates six specialized business departments focusing on specific industries or customer segments that demand strong expertise. On the other hand, we have also built up a branch network providing comprehensive services to local customers. Such network has deepened our presence in local markets and enabled us to manage local operations in a cost-efficient manner.

We are implementing a customer strategy to develop a balanced customer base. While we proactively develop Government & LME customers and take on large projects, we also strategically promote businesses with MSE & Retail customers, which possess significant growth potentials.

We have a comprehensive and prudent risk management system covering various types of risks throughout the entire business processes. We apply our rich experience in the financial leasing industry and deep knowledge of capital markets in our risk management process. When we review the credit profiles of customers, we consider not only their basic financial indicators but also their growth potential and access to the capital markets. During the Track Record Period, we maintained sound asset quality. As of December 31, 2016, 2017 and 2018, the NPA ratio of our interest-earning assets was 1.10%, 0.93% and 0.94%, respectively, and our allowance coverage ratio for NPAs was 299.73%, 335.92% and 339.05%, respectively.

We achieved rapid growth during the Track Record Period. Our total assets increased from RMB45,980.6 million as of December 31, 2016 to RMB82,111.4 million as of December 31, 2018, representing a CAGR of 33.6%. Our total revenue increased from RMB3,163.7 million in 2016 to RMB5,332.3 million in 2018, representing a CAGR of 29.8%. Our net profit increased from RMB849.0 million in 2016 to RMB1,311.3 million in 2018, representing a CAGR of 24.3%.

OUR STRENGTHS

Our competitive strengths include:

- Tailored and innovative services and products addressing customer needs;
- High-quality and diverse customer base;
- Effective operating model with specialized headquarters' departments and localized teams;
- Comprehensive and prudent risk management;
- Strong financing capabilities with diverse funding sources; and
- Strong shareholder background, experienced and visionary management team and sophisticated talent management system.

For more details about our competitive strengths, see "Business – Our Strengths."

OUR STRATEGIES

We intend to implement the following principal strategies to grow our business and create value for our shareholders:

- Continue to implement the best practices of investment banking and strengthen the business and product innovation;
- Solidify business foundation by further cultivating large clients and large projects and promoting MSE & Retail business;
- Continue to expand sales and service network and strengthen the collaboration between our headquarters' specialized departments and our local teams;
- Improve our risk management capabilities and upgrade the information technology systems and other internal supporting functions;
- Expand financing sources, lower financing costs and strengthen capital management capabilities; and

- Optimize performance-based incentive mechanism and further grow our high-quality professional team.

For more details about our strategies, see "Business – Our Strategies."

BUSINESS MODEL

We are the first securities firm-affiliated financial leasing company in China. For more details of PRC financial leasing industry and our market position, see "Industry Overview." During the Track Record Period, as a foreign-funded financial leasing company, we were mainly under the MOFCOM's regulation and supervision before the MOFCOM Regulatory Notice was issued in May 2018. On May 8, 2018, the MOFCOM issued the Notice on Matters Related to the Adjustment of the Regulatory Regime of Financial Lease Companies, Commercial Factoring Companies, and Pawnshops (《關於融資租賃公司、商業保理公司和典當行管理職責調整有關事宜的通知》), announcing that the regulatory regime of financial leasing industry, commercial factoring industry and pawn industry has been transferred from the MOFCOM to the CBIRC. CBIRC has undertaken the role of establishing the operational rules and regulations of financial leasing, commercial factoring and the pawn industry since April 20, 2018. For details on this Notice as well as the regulatory risks and uncertainties faced by us, see "Risk Factors – Any changes in relevant laws, regulations and regulatory requirements could adversely affect our business operation and prospects" and "Regulatory Environment – Major Regulatory Authorities."

We provide our customers with financial leasing, operating leasing, factoring, entrusted loans and other loans, as well as advisory services.

Financial Leasing

Our financial leasing business can be divided into two categories: direct lease and sale-and-leaseback. In a direct lease, we, as the lessor, purchase the equipment from the equipment supplier and lease it to the lessee (our customer) in return for periodic lease payments. In a sale-and-leaseback transaction, the lessee (our customer) purchases the equipment from an equipment supplier using its own funds and then sells the equipment to us at an agreed price. We, as the lessor, lease the equipment back to the lessee in return for periodic lease payments. At the end of the lease term, the lessee buys back the leased equipment and regains the title to the equipment.

The finance lease is priced based either on floating rate or fixed rate. We determine the applicable interest rate of our finance lease contracts based on the PBOC benchmark interest rate as well as a comprehensive assessment of the lessee's creditworthiness and probability of default and the conditions of the industry in which the lessee operates.

Operating Leasing

Leases are classified as finance leases if substantially all of the risks and rewards associated with the title are transferred to the lessee. Leases are classified as operating leases if substantially all of the risks and rewards associated with the title remain with the lessor. During the Track Record Period, our operating leasing business solely included aircraft leasing.

Factoring

We began to provide factoring services to expand our product offerings in November 2014. A typical factoring transaction involves three parties, namely the seller (our customer), the factor (us),

and the buyer. A buyer has the obligation to pay an amount to the seller for goods and services received, or other reasons. Under a factoring contract between the seller and us, the seller sells the accounts receivable to us for financing, and we obtain the right to receive the payments from the buyer. We determine the price to purchase accounts receivable from the seller based on various factors, including the seller's risk profile and creditworthiness, market interest rates, our funding costs and the commercial negotiations with the seller.

Entrusted Loans and Other Loans

We began to provide entrusted loans in the PRC in 2015. We, as the trustor, provide funds to qualified financial institutions acting as the trustee. The trustee in turn lends the money to our customers under terms we specify, such as the loan amount, use of proceeds, maturity, and interest rate. We determine the amount, applicable interest rate and other key terms of entrusted loans based on the customers' repayment ability, financing needs and the intended use of loan proceeds. During the Track Record Period, most of our entrusted loans were secured loans with a tenor of less than three years.

Advisory Services

In addition to financial leasing, factoring, entrusted loans and other loans, we also provide various types of advisory services primarily to our financial leasing and factoring customers. We tailor the scope of our advisory services to meet customers' individual needs. The scope of our advisory services generally covers leasing transaction structure, financial leasing know-how and market dynamics, finance, macro-economy and strategy and industry analysis. The amount of advisory fees we charge may vary depending on a variety of factors, such as: (i) the scope of the advisory services; (ii) the importance of our advisory services to our customers; (iii) our relationships with our customers; and (iv) the importance of our customers to our businesses in general.

CUSTOMER BASE

We have a diverse customer base. We offer our products and services to customers from a wide range of industries, including transportation & logistics, industrials, infrastructure, construction & real estate, health care, chemical and education industry. For the year ended December 31, 2018, our revenue from these industries accounted for 36.3%, 17.5%, 16.6%, 10.8%, 5.1%, 1.5% and 2.4%, respectively, of our total revenue. As of December 31, 2018, our interest-earning assets attributable to customers in the transportation & logistics, industrials, infrastructure, construction & real estate, health care, chemical and education industry represented 36.9%, 17.9%, 15.3%, 9.5%, 5.0%, 1.8% and 1.0%, respectively, of our total interest-earning assets.

We are committed to developing and maintaining a balanced customer base. While we are strategically focused on developing and maintaining relationships with Government & LME customers for sourcing large projects, we also continually develop MSE & Retail customers for new profit opportunities. As of December 31, 2018, our customer base consisted of 746 Government & LME customers and 254,718 MSE & Retail customers.

FINANCING CAPABILITIES

Our financing sources consist primarily of borrowings and issuance of debt securities.

We fund our business operations primarily through borrowings. During the Track Record Period, our borrowings consisted primarily of bilateral loans, syndicated loans, income certificates issued by us and borrowings from related parties. As of December 31, 2016, 2017 and 2018, the balance of our borrowings accounted for 69.4%, 50.8% and 44.8%, respectively, of our total liabilities. We borrow from various types of financial institutions, including policy banks, state-owned banks, joint-stock commercial banks, city commercial banks, foreign-invested banks, and other non-bank financial institutions. We also raise funds through syndicated loans. As of February 28, 2019, the outstanding amount of current bank borrowings and non-current bank borrowings was RMB16,868.4 million and RMB13,447.9 million, respectively. As of the same date, we had credit facilities of RMB73.3 billion in aggregate from 62 domestic and overseas financial institutions, approximately RMB35.0 billion of which were unutilized.

During the Track Record Period, we actively raised funds through direct financing channels, including issuance of fixed medium-term notes, asset-backed securities, short-term commercial papers, corporate bonds, perpetual medium-term notes, ultra-short-term commercial papers, asset-backed notes and private placement notes. As a result, our proportion of direct financing has continued to grow. As of December 31, 2016, 2017 and 2018, the outstanding balance of direct financing represented 20.0%, 41.0% and 48.1%, respectively, of our total indebtedness. As of December 31, 2018, the outstanding principal amount of our fixed medium-term notes, asset-backed securities, short-term commercial papers, corporate bonds, perpetual medium-term notes, ultra-short-term commercial papers, asset-backed notes and private placement notes was RMB3,400 million, RMB9,040 million, RMB2,250 million, RMB3,700 million, RMB1,200 million, RMB3,000 million, RMB2,847 million and RMB3,300 million, respectively.

We are committed to optimizing our assets and liabilities portfolio, business structure and financial indicators in order to improve our corporate credit rating and lower our financing costs. Our credit rating in China was AA+ (positive outlook) in 2016 and was further upgraded to AAA in April 2017, according to Shanghai Brilliance, a well-recognized PRC rating agency. The upgrade of our corporate credit rating lays a solid foundation for further lowering of our financing costs.

For details of our financing channel and financing capabilities, see "Business – Financing Capabilities," "Financial Information – Principal Factors Affecting Our Results of Operations – Financing Capabilities and Funding Sources" and "Financial Information – Indebtedness."

ASSET QUALITY AND PROVISIONING POLICY

We are currently required to comply with the requirements on asset quality classification and allowance for impairment of financial assets in respect of our interest-earning assets. We have adopted a five-category asset classification system comparable to that under the Guidelines on Risk-based Loan Classification (《貸款風險分類指引》) issued by the CBRC in 2007. We classify our interest-earning assets (including finance lease receivables, factoring receivables, entrusted loans and other loans) into five categories, namely "normal," "special mention," "substandard," "doubtful" and "loss," of which the last three categories are regarded as credit impaired and considered as NPAs. As of December 31, 2016, 2017 and 2018, our NPAs amounted to RMB469.5 million, RMB528.8 million and RMB660.9 million, respectively, and the NPA ratio was 1.10%, 0.93% and 0.94%, respectively. As of the same dates, our allowance coverage ratio for NPAs was 299.73%, 335.92% and 339.05%, respectively.

For more details about our asset quality and provisioning policy, see "Financial Information – Principal Factors Affecting Our Results of Operations – Asset Quality and Provisioning Policy" and "Financial Information – Asset Quality."

SUMMARY FINANCIAL INFORMATION

You should read the summary historical financial information set forth below in conjunction with our financial information included in the Accountants' Report set forth in Appendix I to this Document, which is prepared in accordance with IFRS, and "Financial Information" of this Document.

Summary Consolidated Statements of Profit or Loss and Other Comprehensive Income

The table below sets forth our results of operations for the periods indicated:

	For the year ended December 31,		
	2016	2017	2018
	(RMB in millions)		
Total revenue	**3,163.7**	**4,036.8**	**5,332.3**
Net investment gains	102.3	66.0	63.5
Share of results of a joint venture	–	7.9	12.9
Other income, gains or losses	28.0	177.1	156.6
Total revenue and other income, gains or losses	**3,294.0**	**4,287.7**	**5,565.4**
Depreciation and amortization	(6.8)	(45.7)	(86.1)
Staff costs	(266.0)	(310.7)	(456.2)
Interest expenses.	(1,224.5)	(1,524.2)	(2,316.3)
Other operating expenses	(126.2)	(145.7)	(172.6)
Impairment losses	(557.1)	(592.9)	(765.3)
[REDACTED] expense	–	(19.2)	(13.5)
Total expenses	**(2,180.7)**	**(2,638.4)**	**(3,810.0)**
Profit before income tax	**1,113.3**	**1,649.3**	**1,755.3**
Income tax expenses	(264.3)	(398.1)	(444.1)
Profit for the year	**849.0**	**1,251.3**	**1,311.3**

Summary Consolidated Statements of Financial Position

	As of December 31,		
	2016	2017	2018
	(RMB in millions)		
Non-current assets			
Property and equipment	377.0	1,578.2	4,217.4
Intangible assets	4.3	8.4	14.3
Finance lease receivables	22,035.9	22,212.6	30,824.7
Interest in a joint venture	–	232.9	245.8
Available-for-sale financial assets	287.3	16.9	–
Financial assets at fair value through profit or loss	–	–	36.1
Loans and receivables	1,990.8	3,947.5	2,424.1
Deferred tax assets	353.1	501.2	727.6
Other assets	25.0	29.1	148.6
Total non-current assets	**25,073.3**	**28,526.8**	**38,638.6**
Current assets			
Finance lease receivables	14,519.3	21,323.5	30,828.0
Available-for-sale financial assets	1,239.0	450.2	–
Loans and receivables	2,558.3	7,573.8	4,276.3
Other assets	133.4	214.8	725.9
Accounts receivable	78.4	0.3	41.2
Financial assets held under resale agreements	528.9	–	980.8
Financial assets at fair value through profit or loss	950.7	–	2,326.3
Derivative financial assets	29.3	1.9	10.2
Cash and bank balances	869.9	2,597.3	4,284.0
Total current assets	**20,907.2**	**32,162.0**	**43,472.8**
Total assets	**45,980.6**	**60,688.8**	**82,111.4**
Current liabilities			
Borrowings	13,220.0	15,116.2	18,162.1
Derivative financial liabilities	–	7.8	23.5
Accrued staff costs	95.3	117.6	138.2
Account payables	567.5	819.4	401.1
Bonds payable	1,179.3	6,074.4	12,856.9
Income tax payable	193.0	329.5	368.9
Other liabilities	1,395.7	1,873.8	3,132.3
Total current liabilities	**16,650.7**	**24,338.7**	**35,083.0**
Net current assets	**4,256.6**	**7,823.3**	**8,389.9**
Total assets less current liabilities	**29,329.9**	**36,350.1**	**47,028.4**
Non-current liabilities			
Borrowings	11,235.6	9,691.6	12,836.5
Bonds payable	3,820.1	9,970.0	14,594.8
Deferred tax liabilities	–	3.4	12.3
Other liabilities	3,539.5	4,813.7	6,664.9
Total non-current liabilities	**18,595.2**	**24,478.7**	**34,108.6**
Total equity and non-current liabilities	29,329.9	36,350.1	47,028.4
Equity attributable to owners of the Company			
– Shareholders	9,057.6	10,191.4	11,187.8
– Other equity instrument holders	1,229.5	1,235.3	1,237.0
Non-controlling interests	447.6	444.7	495.0
Total equity	**10,734.7**	**11,871.4**	**12,919.8**

Our interest-earning assets consist of finance lease receivables and loans and receivables (including factoring receivables, entrusted loans and other loans). The following table sets forth the

analysis by the remaining maturity of the gross amount of our interest-earning assets as of the dates indicated:

	As of December 31,					
	2016		2017		2018	
	Amount	% of total	Amount	% of total	Amount	% of total
	(RMB in millions, except percentages)					
Within one year	19,615.5	41.5%	32,444.8	52.4%	39,758.6	51.5%
After one year and not later than five years	27,496.7	58.2%	29,187.4	47.2%	37,011.3	47.9%
After five years	161.3	0.3%	230.1	0.4%	443.0	0.6%
Gross amount of total interest-earning assets[1]	**47,273.5**	**100.0%**	**61,862.3**	**100.0%**	**77,213.0**	**100.0%**

(1) Consists of (i) the gross amount of finance lease receivables before deductions of unearned finance income and allowance for impairment losses, (ii) the gross amount of factoring receivables before deductions of interest adjustment and allowance for impairment losses, and (iii) the gross amount of entrusted loans and other loans before deduction of allowance for impairment losses.

As of December 31, 2018, interest-earning assets secured by asset collateral and/or third-party guarantees and unsecured interest-earning assets represented 83.8% and 16.2% of our total interest-earning assets, respectively. For more details, see "Financial Information – Description of Certain Items in Consolidated Statements of Financial Position – Assets – Interest-earning Assets – Distribution of Interest-earning Assets by Collateral."

We adopted IFRS 9 *Financial Instruments* and the related consequential amendments to other IFRSs on January 1, 2018. IFRS 9 introduces new requirements regarding (i) the classification and measurement of financial assets and financial liabilities; (ii) expected credit losses, or ECL, a new impairment model for financial assets and finance lease receivables; and (iii) general hedge accounting. Please refer to Notes 3 and 4 to the Accountants' Report as included in Appendix I to this Document for more information about IFRS 9, including the impacts and changes in accounting policies of application on IFRS 9.

Cash Flow

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

	For the year ended December 31,		
	2016	2017	2018
	(RMB in millions)		
Net cash used in operating activities	(9,166.8)	(9,261.6)	(12,084.5)
Net cash used in investing activities	(1,444.0)	(254.7)	(3,614.4)
Net cash from financing activities	10,768.1	10,835.5	17,398.2
Net (decrease)/increase in cash and cash equivalents	**157.4**	**1,319.2**	**1,699.3**
Cash and cash equivalents at the beginning of the year	**493.5**	**650.9**	**1,969.6**
Effect of exchange rate changes	0.0	(0.5)	(6.2)
Cash and cash equivalents at the end of the year	**650.9**	**1,969.6**	**3,662.8**

Selected Financial Indicators

The following table sets forth our selected financial indicators for the periods indicated:

	For the year ended December 31,		
	2016	2017	2018
Profitability indicators			
Return on average assets[1]	2.18%	2.35%	1.84%
Return on average net assets[2]	9.91%	11.16%	10.71%
Adjusted weighted average return on net assets[3]	13.10%	12.10%	11.49%
Average yield of interest-earning assets[4]	6.82%	6.42%	6.66%
Average cost of interest-bearing liablities[5]	4.66%	4.41%	4.66%
Net interest spread[6]	2.15%	2.02%	2.01%
Net interest margin[7]	3.40%	3.31%	3.16%
Cost-to-income ratio[8]	12.04%	10.85%	11.52%
Net profit margin before tax and provision[9]	52.8%	55.5%	47.3%
Net profit margin[10]	26.8%	31.0%	24.6%

	As of December 31,		
	2016	2017	2018
Liquidity indicators			
Liquidity ratio[11]	1.26	1.32	1.24
Risk asset-to-equity ratio [12]	4.20x	4.89x	6.02x
Gearing ratio[13]	285.8%	354.5%	462.0%
Asset quality indicators			
NPA ratio[14]	1.10%	0.93%	0.94%
Allowance coverage ratio for NPAs[15]	299.73%	335.92%	339.05%

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

(2) Calculated by dividing net profit attributable to the parent company for the year by the average balance of total shareholders' equity attributable to the parent company at the beginning and the end of the year.

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

(4) Calculated by dividing interest income by the average balance of interest-earning assets. Interest income is the sum of (i) finance lease income, (ii) factoring income, and (iii) entrusted loan and other loan income. Interest-earning assets consist of finance lease receivables, factoring receivables, entrusted loans and other loans. Average balances are calculated based on balances as of December 31 of the preceding year, June 30 of the current year and December 31 of the current year for 2016, 2017 and 2018.

(5) Calculated by dividing interest expenses by the average balance of interest-bearing liabilities. Interest-bearing liabilities consist of borrowings, bonds payable, financial assets sold under repurchase agreements and notes payable, excluding the interest-bearing liabilities related to operating leasing business. Interest-bearing liabilities related to operating leasing business = total interest-bearing liabilities * average balance of book value of aircraft held for operating leasing business / (average balance of book value of aircraft held for operating leasing business + average balance of interest-earning assets). Average balances are calculated based on balances as of December 31 of the preceding year, June 30 of the current year and December 31 of the current year for 2016, 2017 and 2018.

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

(7) Calculated by dividing net interest income (excluding the interest expenses related to operating leasing business) by the average balance of interest-earning assets calculated based on balances as of December 31 of the preceding year, June 30 of the current year and December 31 of the current year for 2016, 2017 and 2018.

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

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

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

(11) Calculated by dividing current assets by current liabilities as of the end of the year.

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

(13) Calculated by dividing total debt by total equity. During the Track Record Period, the total debt consisted of borrowings, bonds payable, financial assets sold under repurchase agreements and perpetual medium-term notes.

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

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

The table below sets forth the average yield of the interest-earning assets of our financial leasing, factoring as well as entrusted loan and other loan businesses for the periods indicated:

	For the year ended December 31,		
	2016	2017	2018
Average yield:			
Financial leasing business[1]	7.02%	6.63%	6.83%
Factoring business[2]	3.84%	5.14%	5.48%
Entrusted loan and other loan business[3]	6.75%	7.11%	7.60%
Total interest-earning assets	6.82%	6.42%	6.66%

(1) Calculated by dividing finance lease income by the average balance of finance lease receivables. Average balance of finance lease receivables for 2016, 2017 and 2018 is the average of the balance amounts of finance lease receivables as of December 31 of the preceding year, June 30 of the current year and December 31 of the current year.

(2) Calculated by dividing factoring income by the average balance of factoring receivables. Average balance of factoring receivables for 2016, 2017 and 2018 is the average of the balance amounts of factoring receivables as of December 31 of the preceding year, June 30 of the current year and December 31 of the current year.

(3) Calculated by dividing entrusted loan and other loan income by the average balance of entrusted loans and other loans. Average balance of entrusted loans and other loans for 2016, 2017 and 2018 is the average of the balance amounts of entrusted loans and other loans as of December 31 of the preceding year, June 30 of the current year and December 31 of the current year.

Our return on average assets decreased from 2.35% in 2017 to 1.84% in 2018 and our return on average net assets decreased from 11.16% in 2017 to 10.71% in 2018, primarily because the growth in our net profit was outpaced by that of our total assets. This mainly reflected (i) a greater growth rate of our average balance of interest-earning assets than the growth rate of our interest income because we usually enter into more new business in the second half of each year, (ii) an increase in our interest expenses in 2018 attributable to our increased financing scale and increased overall market interest rates, (iii) the intensified market competition among financial leasing companies which affected our pricing terms with certain customers, and (iv) our increased allowance for impairment loss.

Our return on average assets increased from 2.18% in 2016 to 2.35% in 2017, primarily due to the increase in net profit in 2017 attributable to our business growth and improved operating efficiency. Our return on average net assets was 11.16% in 2017 as compared to 9.91% in 2016. The lower return on average net assets in 2016 mainly reflected the impact of the capital injection of RMB3 billion by Haitong Capital Investment to us in December 2016 which resulted in an increase in the average balance of total shareholders' equity attributable to the parent company in 2016. For more details, see "Financial Information."

Our net interest spread decreased from 2.02% in 2017 to 2.01% in 2018 and our net interest margin decreased from 3.31% to 3.16% during the same period, primarily due to a combination of (i) a greater growth rate of our average balance of interest-earning assets than the growth rate of our interest income because we usually enter into more new business in the second half of each year, (ii) an increase in our interest expenses attributable to our increased financing scale and increased overall market interest rates, and (iii) the intensified market competition among financial leasing companies which affected our pricing terms with certain customers. Our net interest spread decreased to 2.02% in 2017 from 2.15% in 2016 and our net interest margin decreased to 3.31% in 2017 from 3.40% in 2016. These decreases were primarily due to the lower overall interest rate level we charged our customers attributable to intensified market competition among financial leasing companies.

Our NPA ratio slightly increased from 0.93% as of December 31, 2017 to 0.94% as of December 31, 2018. Our NPA ratio decreased from 1.10% as of December 31, 2016 to 0.93% as of December 31, 2017, primarily due to (i) our strengthened monitoring and collection of NPAs through various measures, and (ii) the growth of the total balance of our interest-earning assets. For more

details, see "Financial Information – Asset Quality – Interest-earning Assets under Five-category Asset Classification."

Our revenue consists primarily of the interest income generated from financial leasing, factoring and entrusted loan and other loan businesses, which will be significantly affected by fluctuations in interest rates. In China, the interest rates applied by financial leasing companies for their financial leasing, factoring and entrusted loans businesses are generally set by making reference to the benchmark interest rates set by the PBOC for loans with the same terms and adding the interest spread based on their own business considerations. In recent years, the PBOC has adjusted the benchmark interest rates for RMB loans several times, and interest rates in China have been gradually liberalized since 2012. In addition, any significant changes in the market liquidity and interest rates in China could have an impact on our financing costs, which may narrow our net interest spread and net interest margin.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Haitong Securities is the ultimate controlling shareholder of the Company. Haitong Securities was established in 1988 and listed on the Shanghai Stock Exchange (stock code of A share: 600837) and the Hong Kong Stock Exchange (stock code of H share: 6837) on July 31, 2007 and April 27, 2012, respectively. Haitong Securities Group is mainly engaged in wealth management business, investment banking business, asset management business, trading and institutional client services business, and financial leasing business.

Immediately following the completion of the **[REDACTED]**, Haitong Securities (through its wholly-owned subsidiaries, Haitong Capital Investment and Haitong International Holdings (which in turn through Haitong UT Capital, its wholly-owned subsidiary)) will hold approximately **[REDACTED]**% of the Shares (assuming the **[REDACTED]** is not exercised) or approximately **[REDACTED]**% of the Shares (assuming the **[REDACTED]** is exercised in full). Accordingly, the Company will remain as an indirectly owned subsidiary of Haitong Securities. The Directors are of the view that the Group is capable of carrying on its business independent from Haitong Securities Group following the completion of the **[REDACTED]**. For more details, see "Relationship with Haitong Securities."

For details of the continuing connected transactions between Haitong Securities Group and the Group following the **[REDACTED]**, see "Connected Transactions."

THE [REDACTED] AND THE [REDACTED]

The directors of Haitong Securities believe that the **[REDACTED]** and separate **[REDACTED]** of the Group from Haitong Securities (the "**[REDACTED]**") will better position the Haitong Securities Group and the Group for developing their respective businesses and deliver benefits to both groups. The **[REDACTED]** will better reflect the value of the Group on its own merits and increase our operational and financial transparency through which investors would be able to appraise and assess the performance and potential of the Group separately and distinctly from those of Haitong Securities Group. Through the **[REDACTED]**, the Group is expected to further accelerate its development due to its enlarged capital base and its ability to directly and independently access both equity and debt capital markets in the future. The Group's revenues and profits will continue to be consolidated in the financial statements of Haitong Securities following the **[REDACTED]**, which will benefit the overall financial performance of Haitong Securities. See "History, Reorganization and Corporate Structure – **[REDACTED]** of the Group from Haitong Securities."

There is a clear and distinct delineation between the businesses of each of the Group and Haitong Securities Group. Following the completion of the **[REDACTED]**, the Group will mainly engage in

the financial leasing business while Haitong Securities Group will mainly engage in wealth management business, investment banking business, asset management business, trading and institutional client services business, and financial leasing business. Haitong Securities Group will not carry on any financial leasing business. See "Relationship with Haitong Securities – Independence of the Group from Haitong Securities Group."

The Company has been advised by the Company's PRC legal advisor that pursuant to Article 23 of the Implementation Rules for Registration, Depository and Clearing Services under the Mainland-Hong Kong Stock Markets Connect Program (《內地與香港股票市場交易互聯互通機制登記、存管、結算業務實施細則》), CSDCC does not provide services relating to the subscription of newly issued shares. Accordingly, **[REDACTED]** who hold Haitong Securities H Shares through Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect cannot participate in the **[REDACTED]** and will not be able to take up their respective **[REDACTED]** to the **[REDACTED]** under the **[REDACTED]** through the trading mechanism of Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect. For details on the **[REDACTED]**, see "Structure of the **[REDACTED]**."

DIVIDENDS

During the Track Record Period, our Company did not declare or pay any dividends. After the completion of the **[REDACTED]**, we may distribute dividends in the form of cash or by other means that we consider appropriate and we currently have not set forth any pre-determined dividend pay-out ratio for our future dividend distribution. Our Board is responsible for the formulation of dividend distribution proposal, which will be submitted to the shareholders' general meeting for approval. The declaration or payment of any dividends in the future, and the amount of any dividends, is subject to a number of factors, including our results of operations, cash flows, financial condition, capital adequacy status, cash dividends paid to us by our affiliates, business prospects, statutory, regulatory and contractual limitations on our declaration and payment of dividends, and other factors that our Board may consider important. However, we cannot assure you that we will declare or pay dividends in such amount, or at all, for each or any year. See "Financial Information – Dividend Policy."

ELIGIBILITY OF [REDACTED]

We have applied for the **[REDACTED]** pursuant to the market capitalization/revenue test under Rule 8.05(3) of the Listing Rules.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGES

On February 19, 2019, we issued ultra-short-term commercial paper with a principal amount of RMB1,000 million and a coupon rate of 3.25% due in 270 days.

On February 21, 2019, we issued asset-backed securities with four tranches: (i) senior A1 tranche with a principal amount of RMB600 million and a coupon rate of 3.83% due in 12 months; (ii) senior A2 tranche with a principal amount of RMB560 million and a coupon rate of 4.18% due in 24 months; (iii) senior A3 tranche with a principal amount of RMB280 million and a coupon rate of 5.00% due in 33 months; and (iv) junior tranche with a principal amount of RMB80 million and a maturity period of 36 months. All junior tranche asset-backed securities are held by us.

On February 26, 2019, we issued private placement notes with a principal amount of RMB500 million and coupon rate of 5.20% due in three years.

On March 6, 2019, we issued ultra-short-term commercial paper with a principal amount of RMB1,000 million and a coupon rate of 3.10% due in 270 days.

On March 13, 2019, we issued asset-backed securities with four tranches: (i) senior A1 tranche with a principal amount of RMB600 million and a coupon rate of 4.00% due in 11 months; (ii) senior A2 tranche with a principal amount of RMB200 million and a coupon rate of 4.05% due in 17 months; (iii) senior A3 tranche with a principal amount of RMB150 million and a coupon rate of 4.70% due in 20 months; and (iv) junior tranche with a principal amount of RMB50 million and a maturity period of 35 months. All junior tranche asset-backed securities are held by us.

Our Directors have confirmed that there has been no material adverse change in our financial or trading position or prospects since December 31, 2018 and up to the date of this Document.

USE OF [REDACTED]

Assuming that the **[REDACTED]** is HK$**[REDACTED]** per H Share (being the mid-point of the stated range of the **[REDACTED]** of between HK$**[REDACTED]** and HK$**[REDACTED]** per Share) and the **[REDACTED]** is not exercised, we estimate that we will receive net **[REDACTED]** of approximately HK$**[REDACTED]** from the **[REDACTED]** after deducting the **[REDACTED]** and other estimated expenses in connection with the **[REDACTED]**.

We intend to use the net **[REDACTED]** as follows:

- approximately **[REDACTED]**%, or HK$**[REDACTED]**, will be used for expanding our financial leasing business and factoring business;
- approximately **[REDACTED]**%, or HK$**[REDACTED]**, will be used for developing our overseas aircraft leasing business; and
- the remaining approximately **[REDACTED]**%, or HK$**[REDACTED]**, will be used for providing funding for our working capital.

For more details of the use of **[REDACTED]**, see "Future Plans and Use of **[REDACTED]**."

[REDACTED]

[REDACTED]

RISK FACTORS

There are a number of risks involved in our operations and in connection with the **[REDACTED]**, many of which are beyond our control. These risks can be categorized into (i) risks relating to our business and industry, (ii) risks relating to the PRC, and (iii) risks relating to the **[REDACTED]**. We believe our major risks include but are not limited to:

- Macro economy, market conditions and government policies in China could adversely affect our business.
- Our business involves various industries. Volatility in certain industries may materially and adversely affect our business.
- We operate in an increasingly competitive market.
- Any changes in relevant laws, regulations and regulatory requirements could adversely affect our business operation and prospects.
- Our business is capital intensive while we may not be able to maintain sufficient liquidity to meet our business needs.

For further information on the risks relating to our business and investing in our shares, see "Risk Factors."

[REDACTED] EXPENSES

[REDACTED] expenses represent the professional fees, **[REDACTED]** and other fees incurred in connection with the **[REDACTED]** and the **[REDACTED]**. **[REDACTED]** expenses to be borne by us are estimated to be approximately HK$**[REDACTED]**, (assuming that the **[REDACTED]** is HK$**[REDACTED]** per H Share, being the mid-point of the stated range of the **[REDACTED]** of between HK$**[REDACTED]** and HK$**[REDACTED]** per H Share) of which approximately HK$**[REDACTED]** is directly attributable to the issue of H Shares to the public and to be capitalized, and approximately HK$**[REDACTED]** is expected to be expensed. Our Directors do not expect such expenses to materially affect our results of operations in 2018.

DEFINITIONS

In this Document, unless the context otherwise requires, the following terms and expressions have the meanings set forth below.

[REDACTED]

"Articles of Association or "Articles"	the articles of association of our Company, as amended, which shall become effective on the **[REDACTED]**, a summary of which is set out in Appendix V to this Document
"associate(s)"	has the meaning ascribed to it under the Listing Rules

[REDACTED]

"Board of Supervisors"	the board of supervisors of our Company
"Board" or "Board of Directors"	the board of directors of our Company
"Business day" or "business day"	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
"CBIRC"	China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會) which was formed by a merger of CBRC and China Insurance Regulatory Commission (中國保險監督管理委員會) and approved by the National People's Congress of the PRC on March 17, 2018

"CBRC"	China Banking Regulatory Commission (中國銀行業監督管理委員會)
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual, joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"China" or "the PRC"	the People's Republic of China, excluding, for the purpose of this Document, Hong Kong, Macau and Taiwan
"CICC HK Securities"	China International Capital Corporation Hong Kong Securities Limited
"Citigroup"	Citigroup Global Markets Asia Limited
"CMBI"	CMB International Capital Limited
"Companies (Winding up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company," "our Company" or "Issuer"	Haitong UniTrust International Leasing Co., Ltd. (海通恒信國際租賃股份有限公司), whose predecessor, Matsuyama Nissin Investment Consulting (Shanghai) Co., Ltd (松山日新投資諮詢（上海）有限公司), was incorporated in the PRC in July 2004. Its name was changed to Matsuyama Nissin Investment & Consulting (Shanghai) Co., Ltd. (松山日新投資管理（上海）有限公司) in 2004, to Matsuyama Nissin Leasing (Shanghai) Co., Ltd. (松山日新租賃（上海）有限公司) in 2005, to Nissin Leasing (China) Co., Ltd (日新租賃（中國）有限公司) in 2006 and further changed to UniTrust Finance & Leasing Corporation (恒信金融租賃有限公司) in 2009 and then to Haitong UniTrust International Leasing Corporation (海通恒信國際租賃有限公司) in 2014. On May 27, 2017, it was converted into a joint stock limited company and renamed Haitong UniTrust International Leasing Co., Ltd.

"Company Law" or "PRC Company Law"	Company Law of the People's Republic of China (《中華人民共和國公司法》), as amended and adopted by the Standing Committee of the Tenth National People's Congress on October 27, 2005 and effective on January 1, 2006, as amended, supplemented or otherwise modified from time to time, which was further amended on December 28, 2013 to take effective on March 1, 2014
"Connected Person(s)"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholder"	has the meaning ascribed to it under the Listing Rules and, unless the context requires otherwise, refers to Haitong Securities, Haitong UT Capital, Haitong International Holdings and Haitong Capital Investment
"CSDCC"	China Securities Depositary and Clearing Corporation Limited (中國證券登記結算有限責任公司)
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"Director(s)"	director(s) of our Company
"Domestic Shares"	ordinary shares issued by the Company, with a nominal value of RMB1.00 each, which are subscribed for or credited as paid in RMB and held by a Chinese natural person or an entity established in accordance with the laws of the PRC
	[REDACTED]
"EIT Law"	Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得税法》), as amended, supplemented or otherwise modified from time to time
"Exchange Participant(s)"	a person: (a) who, in accordance with the Listing Rules, may trade on or through the Hong Kong Stock Exchange; and (b) whose name is entered in a list, register or roll kept by the Hong Kong Stock Exchange as a person who may trade on or through the Hong Kong Stock Exchange
"GDP"	gross domestic product
	[REDACTED]
"Group," "our Group," "we" or "us"	our Company and its subsidiaries, and their respective predecessors

"Gui'an Financial"	Guizhou Gui'an Financial Investment Co., Ltd. (貴州貴安金融投資有限公司), a limited liability company incorporated in the PRC on April 17, 2013, holding 60% equity interest in Gui'an UT as of the Latest Practicable Date
"Gui'an UT"	Gui'an UT Financial Leasing (Shanghai) Co., Ltd. (貴安恒信融資租賃（上海）有限公司), a limited liability company incorporated in the PRC on November 29, 2016, in which the Company held 15% equity interest and held another 25% equity interest through entrustment as of the Latest Practicable Date
"H Shares"	overseas listed foreign shares in the share capital of our Company with a nominal value of RMB1.00 each, which are to be subscribed for and traded in HK dollars and are to be listed on the Hong Kong Stock Exchange
	[REDACTED]
"Haitong Capital Investment"	Haitong Capital Co., Ltd. (海通開元投資有限公司), a limited liability company incorporated in the PRC on October 23, 2008 and a wholly-owned subsidiary of Haitong Securities
"Haitong Innovation Securities Investment"	Haitong Innovation Securities Investment Co., Ltd. (海通創新證券投資有限公司), a limited liability company incorporated in the PRC on April 24, 2012, a wholly-owned subsidiary of Haitong Securities as of the Latest Practicable Date
"Haitong International Capital"	Haitong International Capital Limited (海通國際資本有限公司) , a wholly-owned subsidiary of Haitong International Securities Group, whose predecessor was incorporated in Hong Kong on October 27, 1978
"Haitong International Holdings"	Haitong International Holdings Limited (海通國際控股有限公司) , a wholly-owned subsidiary of Haitong Securities, whose predecessor was incorporated in Hong Kong on July 24, 2007
"Haitong International Securities"	Haitong International Securities Company Limited (海通國際證券有限公司), a wholly-owned subsidiary of Haitong International Securities Group, whose predecessor was incorporated in Hong Kong on March 6, 1973
"Haitong International Securities Group"	Haitong International Securities Group Limited (海通國際證券集團有限公司), previously known as Taifook Securities Group Limited (which was established in 1973 and changed its name to Haitong International Securities Group Limited in 2010), a company listed on the Hong Kong Stock Exchange under stock code 665. Its predecessor was incorporated in the Bermuda Islands on June 19, 1996. It is a subsidiary of Haitong Securities

"Haitong Securities"	Haitong Securities Co., Ltd. (海通證券股份有限公司) , 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 Securities Group"	Haitong Securities and its subsidiaries (excluding the Group)
"Haitong Securities H Shareholders"	the holders of Haitong Securities H Shares
"Haitong Securities H Shares"	the ordinary shares of par value of RMB1.00 each in the share capital of Haitong Securities which are listed on the Hong Kong Stock Exchange and traded in HK dollars
"Haitong UniFortune"	Haitong UniFortune International Leasing Co., Ltd. (海通恒運國際租賃有限公司), a company incorporated in the PRC on December 6, 2011 and a subsidiary of the Company
"Haitong UniTrust Financial Leasing"	Haitong UniTrust Financial Leasing (Shanghai) Corporation (海通恒信融資租賃（上海）有限公司) , a company incorporated in the PRC on July 29, 2014 and a subsidiary of the Company
"Haitong UT Capital"	Haitong UT Capital Group Co., Limited (海通恒信金融集團有限公司), a company incorporated in Hong Kong on November 27, 2007 and a wholly-owned subsidiary of Haitong Securities
"Haitong UT Leasing HK"	Haitong UT Leasing HK Limited (海通恒信租賃（香港）有限公司), a company incorporated in Hong Kong on April 25, 2017 and a wholly-owned subsidiary of the Company
"HK$" or "HK dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly owned subsidiary of HKSCC
"Hong Kong" or "HK"	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)

[REDACTED]

[REDACTED]

"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

[REDACTED]

"IAS"	International Accounting Standards
"IFRS"	International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by the International Accounting Standards Board and the International Accounting Standards and interpretation issued by the International Accounting Standards Committee
"Independent Third Party(ies)"	person(s) or company(ies) and their respective ultimate beneficial owner(s), which, to the best of our Directors' knowledge, information and belief, having made all reasonable enquiries, are independent of the Company or are not its Connected Persons

[REDACTED]

[REDACTED]

"Joint Sponsors"	Haitong International Capital, CICC HK Securities, Citigroup and CMBI
"Latest Practicable Date"	March 20, 2019, being the latest practicable date for the purpose of ascertaining certain information contained in this Document prior to its publication

[REDACTED]

"Listing Committee"	the Listing Committee of the Hong Kong Stock Exchange

[REDACTED]

"Macau"	the Macau Special Administrative Region of the PRC
"Main Board"	the stock market (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Hong Kong Stock Exchange
"Ministry of Finance" or "MOF"	Ministry of Finance of the PRC (中華人民共和國財政部)
"MOFCOM"	Ministry of Commerce of the PRC (中華人民共和國商務部)
"NDRC"	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)

	[REDACTED]
"NPC"	National People's Congress of the PRC (中華人民共和國全國人民代表大會)
	[REDACTED]
"Opinion No. 43"	Opinions of the State Council on Strengthening the Administration of Local Government Debts (Guo Fa [2014] No. 43) (《國務院關於加強地方政府性債務管理的意見》(國發[2014]43號)) issued by the State Council on September 21, 2014. The document strictly prohibits local governments from borrowing in violation of laws and regulations, including restricting governments at city and county levels from increasing new debts with repayment or guarantee obligations
	[REDACTED]
"PBOC"	People's Bank of China (中國人民銀行), the central bank of the PRC
"PRC GAAP"	the PRC Accounting Standards and Accounting Regulations for Business Enterprises (《中國企業會計準則》) promulgated by the MOF on February 15, 2006 and its supplementary regulations, as amended, supplemented or otherwise modified from time to time
"PRC government" or "State"	the central government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities

[REDACTED]

"province"	a province or, where the context requires, a provincial level autonomous region or a municipality under the direct supervision of the central government of the PRC
"QIB" or "Qualified Institutional Buyer"	a qualified institutional buyer within the meaning of Rule 144A

[REDACTED]

"**[REDACTED]**"	**[REDACTED]**, being the record date for determining the **[REDACTED]** of the **[REDACTED]** to the **[REDACTED]**
"Regulation S"	Regulation S under the U.S. Securities Act
"Relevant Persons"	the **[REDACTED]**, the **[REDACTED]**, the Joint Sponsors, the **[REDACTED]**, the **[REDACTED]**, the **[REDACTED]**, any of their or the Company's respective directors, officers or representatives or any other person involved in the **[REDACTED]**
"Reorganization"	the reorganization of the Group in preparation of the **[REDACTED]**, details of which are set out in the section headed "History, Reorganization and Corporate Structure—Reorganization" in this Document

"**[REDACTED]**"	the **[REDACTED]** being **[REDACTED]** by the Company to **[REDACTED]** pursuant to the **[REDACTED]** as the **[REDACTED]**, which are to be allocated out of the H Shares being **[REDACTED]** under the **[REDACTED]**
"RMB"	Renminbi, the lawful currency of the PRC
"ROAE"	return on average equity of the beginning and the end of the year
"Rule 144A"	Rule 144A under the U.S. Securities Act
"SAFE"	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SAIC"	State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局) and its authorized department
"SAT"	State Administration of Taxation of the PRC (中華人民共和國國家税務總局)
"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
"SFC"	Securities and Futures Commission of Hong Kong
"Shanghai Brilliance"	Shanghai Brilliance Credit Rating & Investors Service Co., Ltd., a well-recognized PRC rating agency that provides credit rating services both in China and internationally
"Shanghai Stock Exchange"	the Shanghai Stock Exchange
"Shanghai UniCircle"	Shanghai UniCircle Investment & Development Co., Ltd. (上海泛圓投資發展有限公司), a company incorporated in the PRC on July 20, 2006, a wholly-owned subsidiary of the Company
"Share(s)"	Share(s) in the share capital of the Company with a nominal value of RMB1.00 each
"Shareholder(s)"	holder(s) of the Share(s)
"Shenzhen Stock Exchange"	the Shenzhen Stock Exchange
"SOE(s)"	state-owned enterprise(s)
"Special Regulations"	the Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (《國務院關於股份有限公司境外募集股份及上市的特別規定》), promulgated by the State Council on August 4, 1994

"Specified Territories"	the PRC (except for any Haitong Securities H Shareholder with an address in the PRC who is a qualified domestic institutional investor that satisfies the relevant PRC regulatory requirements or is approved to make investments in overseas stock markets by competent PRC government authorities) and the United States, which our Directors and our Company consider it necessary or expedient to exclude from the **[REDACTED]** on account of legal restrictions under the laws of the relevant jurisdiction or the requirements of the relevant regulatory body or stock exchange in that jurisdiction
	[REDACTED]
"State Council"	State Council of the People's Republic of China (中華人民共和國國務院)
"subsidiary(ies)"	has the meaning ascribed to it in section 15 of the Companies Ordinance
"Supervisor(s)"	member(s) of our Board of Supervisors
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"Track Record Period"	the three years ended December 31, 2018
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. Securities Act"	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
	[REDACTED]
"Unlisted Foreign Shares"	ordinary shares issued by the Company, with a nominal value of RMB1.00 each, which are subscribed for or credited as paid in a currency other than RMB, and are not held by a Chinese natural person or an entity established in accordance with the laws of the PRC and are not listed on any stock exchange
"US$" or "US dollar(s)"	United States dollar(s), the lawful currency of the United States
"VAT"	value-added tax
	[REDACTED]

[REDACTED]

In this Document, unless otherwise indicated:

The terms "associate," "close associate," "connected transaction" and "substantial shareholder" shall have the meanings given to such terms in the Hong Kong Listing Rules.

In respect of our customer base:

- a "micro- and small-sized enterprise," or an "MSE," refers to an enterprise with an annual revenue of RMB100 million or less with a maximum net financing amount of RMB5 million under any single contract with us;
- a "large- and medium-sized enterprise," or an "LME," refers to an enterprise that is not an MSE;
- "MSE & Retail customers" refers to MSEs and individuals that are our customers; and
- "Government & LME customers" refers to government agencies and LMEs that are our customers.

Certain amounts and percentage figures included in this Document 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.

For ease of reference, the names of the PRC established companies or entities, laws or regulations have been included in this Document in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail.

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains explanations of certain technical terms used in this Document. As such, these terms and their meanings may not correspond to standard industry meanings or usage of these terms.

"ABS"	asset-backed security
"basis point(s)"	a unit relating to interest rates that is equal to 1/100th of a percentage point per annum
"CAGR"	compound annual growth rate
"directly-controlled municipalities"	the cities with the highest level classification for cities, having the same rank as provinces, and forming part of the first tier of administrative divisions of China, consisting of Beijing, Tianjin, Shanghai and Chongqing
"domestic-funded financial leasing pilot company"	a financial leasing pilot company established by domestic enterprises
"finance lease"	a lease arrangement classified under the IFRS, pursuant to which substantially all of the risks and rewards of titles of the leased assets are transferred from the lessors to the lessees
"financial leasing company approved by CBRC"	financial leasing company established with the approval of CBRC; also known as financial leasing company (金融租賃公司) in China
"financial leasing company approved by the MOFCOM"	financial leasing company established with the approval of the MOFCOM
"foreign-funded financial leasing company"	financial leasing companies established by foreign investors
"IDC"	Internet Data Center
"IT"	information technology
"Made in China 2025"	promulgated by the State Council in 2015, which specifies the blueprint of China's manufacturing industry in the next decade and put great emphasis on smart manufacturing
"MOFCOM Regulatory Notice"	On May 8, 2018, the MOFCOM issued the Notice on Matters Related to the Adjustment of the Regulatory Regime of Financial Lease Companies, Commercial Factoring Companies, and Pawnshops (《關於融資租賃公司、商業保理公司和典當行管理職責調整有關事宜的通知》), announcing that the regulatory regime of financial leasing industry, commercial factoring industry and pawn industry has been transferred from MOFCOM to CBIRC. CBIRC has undertaken the role of establishing the operational rules and regulations of financial leasing, commercial factoring and the pawn industry since April 20, 2018
"NPA(s)"	non-performing asset(s)

"operating lease"	a lease arrangement classified under the IFRS, pursuant to which substantially all of the risk and rewards associated with the title in the leased assets remain with the lessor
"PPP"	long-term cooperative arrangements between government agencies and private investors for the construction and operation of infrastructure projects and delivery of the public services
"Shanghai-Hong Kong Stock Connect"	a securities trading and clearing links program developed by the Hong Kong Stock Exchange, Shanghai Stock Exchange, HKSCC and CSDCC for the establishment of mutual market access between Hong Kong and Shanghai, including Southbound Trading and Northbound Trading
"Shenzhen-Hong Kong Stock Connect"	a securities trading and clearing links program developed by the Hong Kong Stock Exchange, Shenzhen Stock Exchange, HKSCC and CSDCC for the establishment of mutual market access between Hong Kong and Shenzhen
"the Belt and Road"	the development strategy and framework, proposed by the PRC government that focuses on connection and cooperation among countries primarily in Eurasia, which consists of two main components, the land-based "Silk Road Economic Belt" and oceangoing "21st-Century Maritime Silk Road"

FORWARD-LOOKING STATEMENTS

This Document includes forward-looking statements. These forward-looking statements relate to events that are subject to significant risks and uncertainties (including the risks described in "Risk Factors" in this Document). These forward-looking statements include, but are not limited to, words and expressions such as "aim," "expect," "believe," "plan," "intend," "estimate," "anticipate," "seek," "anticipate," "may," "will," "should," "would" and "could" or similar words, expressions or statements or the negative thereof, in particular, in "Business" and "Financial Information" in this Document in relation to future events, including our strategies, plans, objectives, goals, targets, future financial results, business prospects, the future development of our industry, the general economy of our key markets and the national and global economy.

These statements are based on numerous assumptions regarding our present and future business strategy and the environment in which we will operate in the future and the information currently available to our management. These forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. Future performance is subject to known and unknown risks, uncertainties, assumptions and other factors, some of which are beyond our control, and may cause our actual results, performance or achievements, or industry results to be materially different from any future results, performance or achievements expressed or implied in the forward-looking statements. These risks and uncertainties include, but are not limited to, those discussed in "Risk Factors" in this Document and elsewhere in this Document and the following:

- general political and economic conditions, including those relating to the PRC;
- future development, trends and environment of the industry and markets in which we operate or into which we intend to expand;
- changes or fluctuations in interest rates, foreign exchange rates, share prices or other rates and prices, including those pertaining to the PRC and the industry and markets in which we operate;
- regulatory environment of the PRC and the industry in which we operate;
- market competition, and actions and development of competitors;
- our business prospects;
- our business plans, strategies and goals and our ability to successfully implement these business plans, strategies and goals;
- our financial condition, operating results and performance;
- our ability to reduce costs; and
- our dividend policy.

We caution you not to place undue reliance on these forward-looking statements, which reflect our management's view only as of the date of this Document. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Document might not occur. All forward-looking statements contained in this Document are qualified by reference to the cautionary statements set out in this section.

You should carefully consider all of the information in this Document, including the risks and uncertainties described below, before making an* [REDACTED] *in our H Shares. These risks could materially and adversely affect our business, financial condition and results of operations. The trading price of our H Shares could significantly decrease due to any of these risks, and you may lose all or part of your* [REDACTED]*. You should pay particular attention to the fact that we are a company incorporated in the PRC and most of our operations are conducted in the PRC, which is governed by a legal and regulatory environment that may differ from that of other countries. For more information concerning the PRC and certain related matters discussed below, see "Regulatory Environment," "Appendix IV — Summary of Legal and Regulatory Provisions" and "Appendix V — Summary of Articles of Association." You should seek professional advice from relevant advisors regarding your prospective* [REDACTED] *in the context of your particular circumstances.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Macro economy, market conditions and government policies in China could adversely affect our business.

Our business, financial condition and results of operations are largely affected by the macroeconomic and market conditions in China. We provide our customers with financial leasing, operating leasing, factoring, entrusted loans and other loans, as well as and advisory services and rely on domestic demand for these services to achieve revenue growth. The macroeconomic downturn and adverse market conditions, such as fluctuations in exchange rates, inflation or deflation and decrease in available financing, could materially and adversely affect our business, results of operations and financial condition in various aspects, including but not limited to the following:

- the demand of our customers for our services could decrease, resulting in a decline in our revenue;
- default risks of our customers or counterparties may increase;
- our financing cost may increase due to the limited access to financing channels and capital markets, and therefore our financing capabilities may be weakened; and
- we may not be able to execute our business plans and strategies effectively.

In addition, our business, financial condition and results of operations are subject to the evolving macroeconomic policies in China, including the monetary, currency and industry policies. If we fail to promptly adjust our business structure to respond to such policy changes, our business, financial condition and prospects may be adversely affected.

Our businesses involve various industries. Volatility in these industries may materially and adversely affect our businesses.

We offer our products and services to customers in a wide range of industries, including transportation & logistics, industrials, infrastructure, construction & real estate, health care, chemical and education industry. As of December 31, 2018, the interest-earning assets (including finance lease receivables, factoring receivables, entrusted loans and other loans) attributable to customers in these industries accounted for 36.9%, 17.9%, 15.3%, 9.5%, 5.0%, 1.8% and 1.0%, respectively, of our total

interest-earning assets. Our businesses could be affected by the cyclical fluctuations of such industries. The nature, timing and extent of changes in industry-wide conditions are largely unpredictable. In the event of an industry downturn or unfavorable economic and market conditions, we may experience a decline in the demand for our businesses from customers of related industries and an increase in our customers' default, as well as the deterioration in quality of our assets, which may, in turn, materially and adversely affect our financial condition and results of operations. For example, if China's total infrastructure investment declines or the manufacturing, transportation, energy and telecommunications industries experience downturn or recession, the business, financial condition and debt repayment capabilities of our customers in these industries may be adversely affected. In recent years, due to the slowdown in economic growth and industrial transformation and upgrade in China, industries such as paper, printing and textile encounter the problems of over-capacity. As a result, some of our customers in these industries may experience operational difficulties, which in turn may increase our NPAs from these industries. In addition, in respect of the transportation & logistics industry, unfavorable economic and market conditions may result in decreases of passenger volume and freight volume, which in turn may materially and adversely affect the business of our transportation & logistics customers and lessees of commercial vehicles and their ability to perform their payment obligation.

Our inability to maintain our asset quality may have a material adverse impact on our business, financial condition and results of operations.

Our sustainable business growth depends significantly on our ability to effectively manage and maintain our asset quality. As of December 31, 2016, 2017 and 2018, the balance of our NPAs was RMB469.5 million, RMB528.8 million and RMB660.9 million, respectively, and our NPA ratio was 1.10%, 0.93% and 0.94%, respectively.

Our asset quality may deteriorate due to various factors, some of which are beyond our control. These factors include a slowdown in the PRC or global economic growth, the occurrence of a global credit crisis, or other adverse market trends. In respect of financial leasing business, any significant changes in our lessees' industries may adversely affect their operations, financial condition and cash flows, which may affect their ability to perform their payment obligations in a timely manner and may lead to default of the lessees. Other factors that may affect our lessees' financial condition and cash flows include the following:

- an increase in operating costs;
- labor shortage;
- fluctuations in interest rates and an increase in financing costs;
- ability of the lessee to obtain other financial support;
- economic conditions and currency fluctuations in countries and regions where the lessee's business operates;
- competition in the industries where our lessees operate;
- government regulations and related fees that impact the lessees' business; and
- geopolitical and other events, including the outbreak of war, terrorist acts, infectious diseases and natural disasters.

We continually improve our business model and risk management measures and take initiatives to mitigate risks to maintain and reduce the levels of our NPAs. See "Risk Management — Credit Risk Management." We take various measures, including initiating lawsuits, to recover our credit assets at risk. For example, we had filed lawsuits against certain of our financial leasing customers and factoring customers to claim overdue outstanding lease payments or payments receivables. See "Business — Laws and Regulations — Legal Proceedings" for more information. These overdue finance lease receivables have affected our asset quality and we may have to make more provisions for them based on the loss that could incur, which may in turn adversely affect our financial condition and results of operations. However, the above measures may not be as effective as we anticipate. If we are unable to maintain our asset quality, our business, financial condition and results of operations may be materially and adversely affected.

Adverse changes in regulatory policies relating to government financing could materially and adversely affect our business, asset quality, financial condition, results of operations and prospects.

During the Track Record Period, we provided financial leasing services to local governments and SOEs as financing platforms for government-led projects to finance their construction and operation of public services and infrastructure projects. As of December 31, 2018, the finance lease receivables attributable to local governments were RMB792.9 million, accounting for 1.1% of our total interest-earning assets. As of the same date, our interest-earning assets from SOEs as financing platforms for government-led projects were RMB10,815.4 million, accounting for 15.3% of our total interest-earning assets.

In September 2014, the State Council promulgated the Opinion on Strengthening the Administration of Local Government Debts ("Opinion No. 43"). Opinion No. 43 prohibits local governments from incurring new debts in violation of applicable regulations, including prohibiting local governments below the provincial level from incurring repayment or guarantee obligations. See "Regulatory Environment." After the publication of Opinion No. 43, upon the request of certain local government customers, we terminated the finance lease contracts we entered into with them in accordance with the contract terms, and we may terminate other finance lease contracts with local government customers in the future upon their requests. See "Business — Industry Analysis." There is no guarantee that the PRC government will not adopt any policies in the future to further restrict government financing activities. If any such restrictions are implemented, the financial leasing services we provide to local governments may be materially and adversely affected.

Opinion No. 43 prevents local governments from providing guarantee for SOEs as financing platforms for government-led projects. Therefore, these SOEs rely on the cash flows generated from public services and infrastructure projects to repay their debts. In addition, as these projects are carried out primarily for public interest purposes, they are not necessarily commercially viable and the cash flows generated may not be adequate to cover the debts of the relevant lessees. Further adverse changes in the regulatory policies in relation to government financing may adversely affect the debt payment ability of SOEs as financing platforms for government-led projects, and our business, asset quality, financial condition and results of operations may also be adversely affected.

We are exposed to risks in relation to MSE & Retail customers.

We provide our MSE & Retail customers with financial leasing services. As of December 31, 2018, the interest-earning assets (including finance lease receivables, factoring receivables, entrusted

loans and other loans) from MSE customers and retail customers were RMB4,605.5 million and RMB23,707.7 million, respectively, accounting for 6.5% and 33.6%, respectively, of our total interest-earning assets.

Due to their small scale and limited financial, managerial, technological and other resources, MSEs are generally less resilient to macroeconomic fluctuations or unfavorable regulatory changes and more likely to default on their payment obligations due to liquidity difficulties. As compared to large enterprises, MSEs generally have less financial transparency, and we may not be able to assess their credit risks accurately. The NPA ratio of the interest-earning assets attributable to our MSE customers may increase significantly, which could materially and adversely affect our financial condition, results of operations and prospects. In respect of retail customers, we may not be able to obtain all the information to fully assess their credit risk, or verify the information available to us given the less advanced credit reporting system in the PRC. In addition, the ability and willingness of repayment of retail customers are subject to adverse consequences of macroeconomic and social factors, including economic downturn, inflation, rising unemployment rate and natural disasters. In addition, we have a large, geographically widespread retail customer base. As a result, our efforts to collect and recover our NPAs may not be as effective as we anticipate. If the asset quality in relation to our retail customers deteriorates due to any of the above reasons, our financial condition, results of operations and prospects may be materially and adversely affected. In particular, we have a large number of retail customers and MSE customers in the transportation & logistics industry. We started financial leasing services for commercial vehicles in 2011 and have expanded our services to include passenger vehicle leasing business in 2015. As the financial leasing services for passenger vehicles are a new type of business for us, we may have insufficient experience or expertise in operations and risk management measures for such services and the asset quality for this business may deteriorate.

We are exposed to risks relating to our factoring business.

We began to provide factoring services in November 2014. Under a factoring contract, the seller (our customer) sells its accounts receivable towards the buyer (the party that has an obligation to pay an amount to the seller) to us in return for financing. In 2016, 2017 and 2018, the revenue from our factoring business was RMB87.3 million, RMB359.8 million and RMB473.5 million, respectively, accounting for 2.8%, 8.9% and 8.9%, respectively, of our total revenue. As of December 31, 2018, our factoring receivables amounted to RMB6,346.9 million, accounting for 9.0% of our total interest-earning assets (including finance lease receivables, factoring receivables, entrusted loans and other loans).

We are exposed to risks relating to the factoring business. For example, if there is no genuine creditor-debtor relationship between the buyer and seller, or if that the relationship is illegal, our factoring contract entered into with the seller may be deemed invalid. In addition, if the accounts receivable assigned to us are transferred to a third party, pledged or entrusted or are otherwise subject to other encumbrances, we may be unable to exercise our creditor's rights in full and may be forced to make impairment provision or to write off the accounts receivable accordingly. If we encounter difficulties in exercising our creditor's rights in relation to the accounts receivable, we may need to negotiate with relevant stakeholders, or initiate litigation or other legal proceedings, which may result in additional costs. Any of the above circumstances may adversely affect our business, results of operations and financial condition.

We operate in an increasingly competitive market.

The PRC financial leasing industry has developed rapidly and become increasingly competitive. According to Frost & Sullivan, there were 9,090 financial leasing companies in the PRC as of December 31, 2017. Although the PRC financial leasing industry still has great growth potential, there can be no assurance that we will be in an advantageous position in light of the intensifying competition.

We compete primarily with financial leasing companies in the PRC. Some of these companies may have greater management, technology and financial resources, larger sales network, stronger customer relations, lower financing cost or higher risk tolerance as compared to us, and they may be able to offer more favorable financing terms to customers than we do. If we are not able to effectively compete with these financial leasing companies, our market share may decrease and our business, financial condition and results of operations may be adversely affected.

We also compete with commercial banks and other financial institutions. For instance, we compete directly with commercial banks in China in the provision of factoring services and entrusted loans. In terms of innovative financial products and Internet-based financial products, commercial banks, small loan companies, consumer finance companies and Internet finance companies may provide customers with more favorable financing terms and better customer experience than we do. In addition, in terms of aircraft leasing, we may face competition in the acquisitions of new aircraft, sales of aircraft and purchases of asset portfolios from domestic and foreign large- and medium-sized aircraft leasing companies, airlines and aircraft brokers. If we are not able to successfully compete, our business, financial condition and results of operations may be adversely affected.

Changes in market interest rates may have a significant impact on our financial condition.

Our interest income generated from financial leasing, factoring and entrusted loan businesses as well as the interest we pay on our indebtedness are affected by market interest rates. High volatility in market interest rates will directly affect our net interest margin, and in turn affect our profitability and financial condition. Fluctuations in market interest rates are subject to various factors beyond our control, such as the regulatory framework of the banking and financial sectors in the PRC and the domestic and international economic and political environments.

The majority of our interest-earning assets (consisting of finance lease receivables, factoring receivables, entrusted loans and other loans) and interest-bearing liabilities are denominated in RMB, therefore we are primarily affected by the fluctuations in the RMB interest rate. Historically, the PBOC has adjusted its benchmark interest rates for many times. For example, the PBOC reduced its benchmark rate five times in 2015, resulting in a decrease in the one-year benchmark lending rate from 5.60% on January 1, 2015 to 4.35% on December 31, 2015. Adjustments to the benchmark interest rates could affect the average yield of our interest-earning assets and the average cost of our interest-bearing liabilities to different extents. Any such adjustments or changes in market interest rates may cause our interest expenses to increase at a faster rate than our interest income, and thus reducing our net interest spread and net interest margin, which, in turn, could adversely affect our financial condition and results of operations. During the Track Record Period, we hedged part of our interest rate risk through interest rate swaps. However, there is no assurance that these interest rate swaps or other hedging measures we use for mitigating the interest rate risk will always be effective.

Any changes in relevant laws, regulations and regulatory requirements could adversely affect our business operation and prospects.

As the PRC financial leasing industry continues to develop, the regulatory framework would also evolve. During the Track Record Period, as a foreign-funded financial leasing company, we were mainly under the MOFCOM' regulation and supervision before the MOFCOM Regulatory Notice was issued in May 2018. According to the MOFCOM Regulatory Notice, the regulatory authority over foreign-funded financial leasing companies was transferred to the CBIRC from the MOFCOM; however, as of the Latest Practicable Date, we were still subject to the rules and regulations promulgated by the MOFCOM. During the Track Record Period, the regulatory requirements applicable to us in certain aspects were different from those applicable to the financial leasing companies approved by CBRC. For example, in respect of industry access requirement, the minimum registered capital for financial leasing companies approved by CBRC is RMB100.0 million or its equivalent in a freely convertible currency, while there is no such minimum registered capital requirements for financial leasing companies approved by the MOFCOM. In addition, financial leasing companies approved by CBRC shall also comply with the regulatory requirements of the CBRC imposed on commercial banks by analogy in respect of capital adequacy ratio, loan loss provision and loan write-off, which are not applicable to the financial leasing companies approved by the MOFCOM, including us. See "Regulatory Environment" and "Industry Overview." Pursuant to the MOFCOM Regulatory Notice, we became subject to the regulation of the CBIRC since April 20, 2018. The CBIRC may enforce stricter regulatory requirements on financial leasing companies, and applicable laws, regulations (including judicial interpretations) and regulatory requirements may change from time to time. As such we may be required to adjust our business accordingly, assume additional responsibility and incur additional costs in order to comply with the applicable laws, regulations, and regulatory requirements. Our inability to meet any such stricter regulatory requirements or adapt to the aforesaid changes may cause us suffer economic loss and/or administrative penalty, and may have an adverse impact on our business operation and prospects.

Haitong Securities, our Controlling Shareholder, is a securities firm in China and is primarily regulated by the CSRC. We are a subsidiary and the sole leasing platform of Haitong Securities. Accordingly, our business operation is, to a certain extent, affected by the regulation of the CSRC, although we are not directly regulated by the CSRC. If the CSRC imposes restrictions or implements stricter regulatory standards regarding business scope and risk control indicators on PRC securities companies, our business, results of operations and financial condition may be affected.

Fluctuations in the prices of leased equipment may adversely affect our financial leasing business.

Our portfolio of financial leasing assets comprises various types of equipment. Fluctuations in the prices of such leased equipment may adversely affect our leasing business. If there is a significant increase in the prices of leased equipment, lessees' demands for such equipment may drop, which could in turn lead to lower demands for our leasing services. In addition, if the lessee defaults on its payment obligations, we may have to dispose of the leased equipment at a price significantly lower than the purchase price, which could have a material adverse impact on our business, results of operations and financial condition.

We may not be able to maintain sufficient liquidity to meet our business needs.

Our business is capital intensive which requires a huge amount of working capital and stable financing channels to support our day-to-day business operation. In addition to the cash generated from

our business operations, during the Track Record Period, our major funding sources include borrowings and issuance of debt securities. As of December 31, 2018, the total balance of our borrowings and bonds payable was RMB30,998.6 million and RMB27,451.7 million, respectively. If we fail to maintain our existing and future funding arrangements on commercially acceptable terms, or to obtain new financing sources when the existing sources are inadequate, we may not be able to continue obtaining sufficient funding for our operation and development, which may adversely affect our business and results of operations.

Cross-border capital flows of enterprises in China are highly regulated. Under the current foreign currency regulatory regime in the PRC, if our overseas business expansion involves cross-border capital flow or cross-border guarantee, we shall follow the applicable requirements by the SAFE. The PRC government may, at its discretion, tighten the foreign exchange policies to restrict capital outflows under certain circumstances. In such case, we may not be able to continue to provide sufficient working capital to support our overseas businesses, which could adversely affect our overseas business and results of operations.

In addition, unfavorable changes in our credit rating or failure to obtain satisfactory credit ratings could increase our financing cost, which may adversely affect our financing capabilities. According to Shanghai Brilliance, our credit rating was AAA (stable outlook) in June 2018. However, there can be no assurance that these ratings will not be downgraded or withdrawn by the rating agency, or we will be assigned with satisfactory credit ratings by overseas rating agencies upon **[REDACTED]**. If our rating is downgraded or withdrawn, or if we are unable to obtain satisfactory ratings, our financing cost may increase, which will affect our financing capabilities and in turn adversely affect our business and results of operations.

Any mismatch of the maturity profile of our assets and liabilities will impact our liquidity, debt repayment ability and financing capabilities, which could have a material and adverse effect on our business, financial condition and results of operations.

We strive to effectively match the maturity profile of our assets and liabilities to manage liquidity risk. See "Risk Management — Liquidity Risk Management." During the Track Record Period, we did not experience any liquidity difficulties due to any maturity mismatch between assets and liabilities. However, there can be no assurance that we will not experience any such liquidity difficulty due to maturity mismatch in the future. Failure to effectively match the maturity profile of our assets and liabilities may lead to a liquidity shortage, or our inability to repay our matured debts or obtain additional financing. If any of the above occurs, our business, financial condition and results of operations may be materially and adversely affected.

We may not be able to repay our debts, and we may incur more debts.

We expect to continue to maintain a significant level of indebtedness. As of December 31, 2016, 2017 and 2018, our risk asset-to-equity ratio (risk assets are the total assets net of cash and bank balances) was 4.20x, 4.89x and 6.02x, respectively. In some of our financing agreements, our creditors have the right to require us to provide additional security or even repay our debts early if any mandatory prepayment event occurs, such as our failure to satisfy specified risk asset-to-equity ratios or any change in the control of our Company. There can be no assurance that such events will not occur in the future. A mandatory prepayment of debt could reduce our working capital and liquidity and affect our financing capabilities.

We may incur additional indebtedness in the future. We require a portion of our cash flows from operation to be dedicated to interest and principal payments, which are therefore not available to fund our operations, working capital, capital expenditures, expansion, acquisitions or general corporate purposes. In 2016, 2017 and 2018, our interest expenses were RMB1,224.5 million, RMB1,524.2 million and RMB2,316.3 million, respectively, representing 56.2%, 57.8% and 60.8%, respectively, of our total expenses. In order to meet our current debt commitments, and to maintain an adequate level of unrestricted cash to properly fund our operations and expansion, we may need to raise additional funds by obtaining additional financing facilities from banks or other financial institutions. Our inability to raise such funds may materially and adversely affect our financial condition and growth prospects. See " — We may not be able to maintain sufficient liquidity to meet our business needs."

We historically recorded negative cash flows from operating activities. We cannot assure you that this will not occur in the future.

In 2016, 2017 and 2018, our net cash outflows from operating activities were RMB9,166.8 million, RMB9,261.6 million and RMB12,084.5 million, respectively. The net cash outflow was mainly attributable to the sustained increases in interest-earning assets (primarily consisting of finance lease receivables, factoring receivables, entrusted loans and other loans) as a result of our continued business growth. See "Financial Information — Liquidity and Capital Resources — Cash Flows — Cash Flows from Operating Activities." We cannot assure you that we will not record negative cash flow from operating activities in the future, in which case our working capital may be limited and our business, financial condition, results of operations and prospects may be materially and adversely affected.

The value of collateral and guarantees and assets underlying our leases which are disposed of upon repossession may not be sufficient or fully realizable.

In addition to our ownership in the assets underlying the leases, we require certain lessees to provide guarantees or collateral to secure our accounts receivable. As of December 31, 2018, approximately 83.8% of our interest-earning assets (including finance lease receivables, factoring receivables, entrusted loans and other loans) were secured by such collateral and/or guarantee. For secured accounts receivable, in case of any material default, we are entitled to enforce claims in respect of any collateral or guarantee pursuant to the contract, and/or repossess and dispose of the assets underlying the lease to realize their value.

The value of collateral and/or assets underlying the leases may decline significantly, or even decline to a level below the outstanding principal of and interests on receivables, due to various factors (damage, loss, oversupply, devaluation or shrinking market demand). Similarly, for guaranteed leases, the financial condition of guarantors may materially deteriorate due to various reasons, which in turn may result in a significant decrease in the recoverable amount of such guarantee.

If the value of collateral, guarantees or assets underlying the leases to be disposed of is proved to be insufficient to cover the relevant receivables, we may require our customers to provide additional security. However, we cannot assure you that we could always obtain such additional security. Decline in the value of collateral, guarantee and assets underlying the leases to be disposed of, or our inability to obtain additional security when necessary, may force us to make additional provision for impairment for the relevant receivables, which may materially and adversely affect our asset quality, financial condition or results of operations.

Furthermore, the procedures for liquidating or otherwise realizing the value of collateral in the form of non-monetary assets may be protracted, and it may be difficult to enforce claims in respect of

such collateral. Under relevant laws and regulations, our rights to the collateral securing our loans may be subordinated to certain third-party rights under certain circumstances, and thus preventing us from recovering all or part of the principal of and interest on the secured loans. If we fail to realize the value of collateral, guarantees and assets underlying the leases to be repossessed and disposed of in a timely manner, our asset quality, financial condition or results of operations may be materially and adversely affected.

Our allowance for impairment losses may not be adequate to cover future credit losses.

We make allowance for impairment losses on finance lease receivables, factoring receivables, entrusted loans and other loans in accordance with the IAS. As of December 31, 2016, 2017 and 2018, the aggregate amount of our allowance for impairment losses on the above types of assets was RMB1,407.1 million, RMB1,776.4 million and RMB2,240.8 million, respectively, representing 3.3%, 3.1% and 3.2%, respectively, of our total finance lease receivables, factoring receivables, entrusted loans and other loans.

We determine the amount of allowance for impairment losses based on our internal procedures and guidelines, which take into account of a number of factors, such as the nature and creditworthiness of our lessees and specific characteristics of industries where our lessees operate, economic condition and trend, delinquencies, and the value of the underlying collateral and guarantees. As the accounting standards require significant judgment and estimation on the future credit risks at certain points of time, we may underestimate future risks and thus our allowance may not be adequate to cover the actual credit losses. Our allowance may prove to be inadequate if unforeseen or adverse changes occur in the PRC economy, or if other events adversely affect specific lessees and the industries or markets where they operate. Under such circumstances, we may need to make additional allowance, which could significantly reduce our profit and may materially and adversely affect our business, financial condition and results of operations.

Our asset quality classification and asset impairment loss provision policies may be different in certain aspects from those applicable to other financial institutions.

During the Track Record Period, as a foreign-funded financial leasing company approved by the MOFCOM, we are not required to comply with the regulatory requirements related to asset quality classification and asset impairment loss provision. We voluntarily classify our assets into five categories, namely, "normal," "special mention," "substandard," "doubtful" and "loss," an asset classification similar to the one required under the CBRC guidelines applicable to banks. We make asset impairment loss provision according to our internal guidelines. Such classification system and asset impairment loss provision policies may differ in certain aspects from those of other financial leasing companies in the PRC (including financial leasing companies approved by CBRC) and financial institutions in other countries or regions. As a result, the information regarding the asset classification and allowance for impairment losses disclosed by us may be different from the disclosure of the abovementioned institutions.

There is no guarantee that we can maintain rapid growth in the future.

Our total revenue grew rapidly during the Track Record Period. In 2016, 2017 and 2018, our total revenue was RMB3,163.7 million, RMB4,036.8 million and RMB5,332.3 million, respectively, representing a CAGR of 29.8%. We may not be able to continue to grow if we are not able to expand our product and service offerings to attract new customers, improve our marketing strategies, or broaden our distribution channels. Our ability to maintain business growth is highly dependent on

various factors beyond our control, including the economic growth, interest rate, development of financial leasing and financial industries, as well as changes in laws, regulations and rules applicable to the leasing industry in China. Any unfavorable change in the above one or more factors may prevent us from maintaining our growth rate.

We plan to continue to invest substantial financial, management and operational resources to sustain our growth. However, we cannot assure you that we will be able to continually obtain these resources in the future. For instance, we may not be able to obtain additional internal and external capital to support our business growth on commercially acceptable terms, or to retain and attract sufficient number of competent staff to support our business development. See "— We may not be able to maintain sufficient liquidity to meet our business needs" and "— We may not be able to attract and retain senior management and qualified employees."

We may be exposed to additional risks as we expand into new business, industry and region.

We re-evaluate our business strategies on a regular basis and expand into new business, industry or region when appropriate, in order to cater to the evolving demand of our customers and adapt to the changing dynamics of the financial leasing industry in the PRC. We commenced aircraft leasing business in October 2016 and are exposed to risks associated with such business. These risks include but are not limited to the following:

- the value and lease rates of our aircraft under operating leases could decline;
- aircraft have finite useful economic lives, depreciate over time and incur higher operating cost as they age;
- lessees with leased aircraft are subject to environmental laws and regulations. Compliance with these laws and regulations could increase the expenses of our aircraft lessees, which could adversely affect their ability to fulfill their payment and other leasing obligations;
- the aviation industry has experienced periods of aircraft oversupply, during which the value and lease rates of aircraft have declined, and any future oversupply could materially and adversely affect our business; and
- our lessees may not properly maintain the leased aircraft and sufficiently insure the leased aircraft.

In addition, as an important initiative for expansion of overseas business, we established a subsidiary in Hong Kong in April 2017. We may be exposed to risks in the course of our overseas expansion, including but not limited to the following:

- failure to obtain sufficient financing to support our overseas expansion;
- instability of local political situation and the arise of social unrest or terrorism;
- uncertainty and downturn of the local economy;
- failure to meet the laws and regulations, approval or licensing requirements, and industry or technology standards of the overseas markets;
- challenges in managing and supporting overseas business;
- differences in culture, commercial and operating environments and corporate governance; and
- failure to recruit and retain competent talents.

If we are not able to effectively cope with the above risks, we may not be able to achieve the business strategic objectives as planned, and in turn our business, financial condition and results of operations may be materially and adversely affected.

We cannot guarantee that our cost control strategies and measures will be continually and effectively executed in the future and achieve their expected effects.

In 2016, 2017 and 2018, our cost-to-income ratio was 12.04%, 10.85% and 11.52%, respectively. See "Financial Information — Selected Financial Indicators" for the calculation of our cost-to-income ratio. During the Track Record Period, we continually sought to improve the allocation of financial resources through various cost control measures. However, we cannot guarantee that such measures will continue to be effectively executed in the future. In addition, we may be required to adjust the relevant cost control strategies and measures in response to the changes in economic condition and business development needs. If such control strategies and measures fail to achieve their expected effects, our operating cost may increase, which in turn may adversely affect our financial condition and results of operations.

Our current risk management and internal control system may not be sufficient to protect us against various risks.

Our business operation is exposed to various risks, primarily including credit risk, market risk, liquidity risk, operational risk and legal and compliance risk. To manage such risks, we have established, and will continue to improve, our risk management and internal control system. See "Risk Management." However, we cannot assure you that such risk management and internal control system will be effective in identifying, monitoring and mitigating all types of risks.

Our risk management capability is limited by the information, tools and technologies available to us. For instance, we may not be able to obtain all the information necessary for assessing the credit risks of our financial leasing customers due to the less advanced credit reporting system in China. As some of our risk management measures are based on our historical market data and management's judgment, they may not accurately predict the types of risks that may arise in the future. In addition, we have developed and continually updated our IT systems for risk management and internal control, but we cannot guarantee that such systems would achieve the expected results. See "— Our business operations depend on the proper functioning and continual improvement of IT system." We also rely on our employees to effectively implement our risk management and internal control system. However, we cannot guarantee that our employees will always comply with or properly implement the relevant internal policies and procedures. If we are unable to effectively improve our risk management and internal control system, or timely achieve the expected results, our asset quality, business, financial condition and results of operations may be materially and adversely affected.

Our business operations depend on the proper functioning and continual improvement of IT system.

Our business operation is dependent on the ability of our IT systems to process large numbers of transactions and information in an accurate and efficient manner. Such IT systems cover all aspects of our business operation including financial control, risk management, accounting and customer services. The proper functioning of such system is critical for us to maintain our business operation and enhance our competiveness. We have established our internal back-up system to carry on the principal functions in the event of system failures. See "Business — Information Technology." However, our business operation may be disrupted if any of our IT systems partially or completely fail due to, among

other things, fire, natural disasters, power loss, software faults, conversion errors due to system upgrades, or security breaches, which will adversely affect our results of operations and reputation. Besides, a portion of the development and maintenance of our IT systems are outsourced to third parties. In light of the risks inherent in outsourcing, such as unilateral termination of contract or leakage of confidential information and commercial secrets by the third party, we cannot guarantee that these third parties will be able to provide us with stable and quality IT services on an ongoing basis. Also, we cannot guarantee that we will be able to renew the outsourcing arrangement on equivalent or more favorable terms, or that we can enter into alternative outsourcing arrangement on commercially reasonable terms, upon the expiry of the existing outsourcing arrangement.

As an important part of our business strategies, we proactively develop Internet-based financial products and services, such as online factoring products and the online financial leasing services for passenger vehicles that we launched in January 2017. The development and maintenance of these products and services require us to set a higher standard for our IT capacities. In case of system failures or incompatibility between platforms, our IT systems may fail to meet such higher standard and our customer relationship, reputation and business many be adversely affected.

The security of processing, storage and retrieval of confidential information is also essential to our operation. However, we may not be able to completely avoid the loss or leakage of confidential information caused by unforeseen security breaches. Any event threatening the security and integrity of our confidential information could disrupt our operations, and result in reputational damage, litigation and financial losses to us.

We may not be able to detect or prevent breach of law or other misconduct committed by our employees or third parties.

Breach of law or other misconduct by our employees (such as unauthorized business transactions and breach of our internal policies and procedures) or third parties may be difficult to detect or prevent. We monitor our business and overall compliance through our risk management and internal control rules and procedures. However, we may not be able to identify such breach of law or misconduct in a timely manner, or at all. We may also suffer from economic loss, reputational damage and administrative penalty for breach of law or other misconduct committed by our employees or third parties that have previously occurred but was undetected, or may occur in the future. This in turn may result in adverse effects on our business.

We may not be able to attract and retain senior management and qualified employees.

Our success is largely dependent on the continued efforts of our senior management and qualified employees.

Our senior management plays a vital role in our operation. Each of them has many years of experience in the financial or leasing industry in China, and they collectively possess in-depth understanding of our major business lines, our customers and competitors, and the laws and government policies related to our business. Our senior management is also important to the formulation and implementation of our business strategies. However, our senior management may tender resignation or leave their positions due to reasons beyond our control. The loss of service of any of our senior management could impair our ability to operate and hinder our efforts to implement business and growth strategies, and we may not be able to find candidates of equivalent expertise and experience within a reasonable period of time to replace them.

Our continued success also depends on our ability to attract and retain qualified staff. We may need to offer more competitive compensation and other benefits to attract and retain key personnel, and our compensation and benefit payments may thus increase unpredictably or at a greater rate than our revenue. This may also adversely affect our financial condition and results of operations.

Failure to obtain, renew, or retain licenses, permits or approvals necessary for our business or failure to comply with applicable laws and regulations may adversely affect our business.

We are required to hold various licenses, permits and approvals issued by relevant regulatory authorities necessary for our businesses. Failure to obtain, renew or retain such licenses, permits or approvals may affect our ability to conduct our business. If we fail to comply with applicable laws and regulations, the relevant regulatory authorities may revoke our licenses, permits or approvals, request us to take remedial actions, and/or impose fines or other regulatory measures on us, any of which may have an adverse effect on our business and results of operations. For instance, our subsidiary, Haitong UniTrust Financial Leasing historically failed to obtain the operation license of medical equipment. See "Business – Laws and Regulations – Regulatory Non-compliance Incidents." In addition, the licensing requirements of the financial leasing industry in China are evolving, and we may be subject to more stringent regulatory requirements in the future. We cannot assure you that we will be able to comply with these requirements; if we fail to do so, our business may be disrupted and our results of operations and financial condition may be materially and adversely affected.

We may not have adequate insurance coverage to cover potential liabilities or losses.

We maintain property insurance for certain assets underlying our leases to cover any losses or damage to such assets during the leases. In line with the common practice of the leasing industry, we are usually the beneficiary of such insurance and the insurance premium is paid by our customers. However, due to the limitation on insurance for assets underlying leases according to the PRC laws and many other reasons, we may not be able to purchase insurance for all assets underlying our leases, and if insured, the insurance indemnity may not be sufficient to compensate our losses arising from the damage or loss to such assets. In particular, according to the PRC laws, lessees may only be required to compensate the lessors after taking into consideration of the depreciation of the leased assets and shall not be obliged to make lease payments in full in the event that the lease contracts have been terminated due to damage to or loss of the leased assets as a result of force majeure or other reasons that are not caused by the lessees. If the leased assets are damaged or lost due to the foregoing reasons which result in termination of the relevant finance lease contract, we may be forced to assume losses to the extent our insurance coverage is inadequate. Any uninsured loss will materially and adversely affect our results of operations and financial condition.

We are subject to risk relating to financial instruments held by us.

We engage in investing in financial instruments such as wealth management products, income certificates and money market funds. Gains generated from these activities are subject to volatilities caused by, among other things, changes in the interest rates. During the Track Record Period, we entered into foreign currency forward and interest rate swap agreements with various counterparties in foreign exchange and derivative markets. While we believe that the overall creditworthiness of our counterparties is satisfactory, we cannot assure you that our counterparties will be able to timely and fully pay the amounts under relevant contracts when due.

We have adopted IFRS 9 on January 1, 2018 and certain comparative information contained in the financial statements in this Document for periods prior to the adoption of IFRS 9 does not reflect the requirements of IFRS 9 and therefore may not be comparable to the information prepared and presented under IFRS 9.

We have adopted IFRS 9 *Financial Instruments* which is applied retrospectively since January 1, 2018. IFRS 9 introduces new requirements regarding (i) the classification and measurement of financial assets and financial liabilities; (ii) expected credit losses, or ECL, a new impairment model for financial assets, lease receivables and other items subject to ECL assessment; and (iii) general hedge accounting. As permitted by the transitional provision of IFRS 9, we applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognized as of January 1, 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognized as of January 1, 2018. The difference between carrying amounts as of December 31, 2017 and the carrying amounts as of January 1, 2018 is recognized in the opening retained profits and other components of equity as of January 1, 2018, without restating comparative information. As a result, the comparative information presented in the financial statements for periods prior to the adoption of IFRS 9 (which was prepared under IAS 39 Financial Instruments: Recognition and Measurement) does not reflect the requirements of IFRS 9 and therefore may not be comparable to the information prepared and presented under IFRS 9. Please refer to Notes 3 and 4 to the Accountants' Report as included in Appendix I to this Document for more information of IFRS 9.

The amount of our deferred tax assets is subject to the uncertainties of accounting estimates.

In the application of our accounting policies, our management is required to make judgments, estimates and assumptions about the carrying amounts of certain assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Therefore, actual results may differ from these accounting estimates. We believe that the amount of our deferred tax assets is subject to the uncertainties of accounting estimates and therefore warrant particular attention.

As of December 31, 2016, 2017 and 2018, our deferred tax assets amounted to RMB353.1 million, RMB501.2 million and RMB727.6 million, respectively. Based on our accounting policies, deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Where the actual or expected tax position of the relevant companies of our Group in future are different from the original estimates, such differences will impact on the recognition of deferred tax assets and liabilities and income tax charge in the period in which such estimate has been changed.

There are legal defects regarding some of our leased properties.

As of December 31, 2018, we leased 91 properties in total in the PRC, of which four properties, with an aggregate gross floor area of 1,436.3 square meters, representing 6.5% of our total leased properties in the PRC, do not have any valid property ownership certificate or other title certificate provided by the owners. Under PRC laws, if the lessors do not have the legal title of these properties or cannot obtain the relevant authorization documents from the property owners, they are not entitled to lease such properties to us. In such circumstances, we may not be able to continue to lease such

properties if the title of such properties or the respective lessors' right to lease such properties is challenged by any third party. See "Business — Properties — Leased Properties." Furthermore, there is no assurance that we can renew the lease on commercially acceptable terms upon expiry, or at all. If the title of any of our leased property is controversial and/or the validity of the relevant lease is challenged by third party, or if we fail to renew our lease upon expiry, we may be compelled to relocate from the affected premises. Such relocation may result in additional expenses or business interruption, which could in turn have an adverse effect on our business, financial condition and results of operations.

We may face legal proceedings and arbitration, and we may not successfully defend such lawsuit.

We may be involved in legal proceedings and arbitration claims during the ordinary course of our business. Legal proceedings or arbitration against us are mainly in relation to contract disputes between us and our financial leasing customers. We may incur enormous legal costs in defending ourselves in such legal proceedings and arbitration. If the ruling of court or arbitration award is unfavorable to us, we may be confronted with significant legal liability, which may have a material adverse effect on our business, financial condition, results of operations and reputation.

We may not continue to enjoy certain government grants in the future.

We currently enjoy certain government grants, which may be discontinued in the future. During the Track Record Period, government grants that we and our subsidiaries (Haitong UniTrust Financial Leasing, Haitong UniFortune and Shanghai UniCircle) received consisted primarily of the fiscal support funds that local governments offer to enterprises in the financial industry or the financial leasing sector and refund of value-added tax. We cannot assure you that we will be able to continue to receive any such fiscal support funds or refund of value-added tax, and if we are unable to do so, our business, results of operations and financial condition may be adversely affected.

There can be no assurance that our Controlling Shareholder will continue to support us, and changes in its control over us may materially and adversely affect our business, financial condition and results of operations.

We receive business, financial and risk management support from our Controlling Shareholder, Haitong Securities. For instance, we benefit from Haitong Securities' customer resources and marketing and industry research capabilities. If Haitong Securities ceases to be our Controlling Shareholder or if it is no longer willing to support us, we may be unable to continue to receive support from Haitong Securities in the above aspects. In such circumstances, our credit rating may be downgraded and the financing cost may increase accordingly, which will in turn materially and adversely affect our business, financial condition and results of operations. Furthermore, under certain financing agreements, the termination of Haitong Securities being our de facto controller may constitute default or trigger early repayment obligation, which may adversely affect our liquidity.

Our Controlling Shareholder is able to exercise significant influence over us.

Haitong Securities will remain our Controlling Shareholder following the completion of the **[REDACTED]**. Immediately after the completion of the **[REDACTED]**, Haitong Securities will indirectly hold approximately **[REDACTED]**% (assuming that the **[REDACTED]** is not exercised), or **[REDACTED]**% (assuming that the **[REDACTED]** is fully exercised), respectively, of the issued Shares of our Company. Some of our Directors also serve as senior management or other positions in Haitong

Securities. For details of such Directors, See "Directors, Supervisors and Senior Management – Directors." Haitong Securities, as our Controlling Shareholder, will have the ability to exercise significant influence over us on the decision-making on major matters, appointment and removal of key personnel, major project investment decision and the use of large amount of funds.

We may be indirectly affected by reputational harm to Haitong Securities.

As a leading securities firm in China, Haitong Securities, our Controlling Shareholder, may become the subject of negative publicity from time to time. Any negative publicity of Haitong Securities, or any of its subsidiaries, branch offices or employees, may adversely affect our reputation.

RISKS RELATING TO THE PRC

Economic, political and social conditions in the PRC and government policies could affect our business and prospects.

A majority of our assets are located in the PRC, and a substantial majority of our revenue is derived from our businesses in the PRC. Accordingly, we mainly rely on the demand in the PRC market for leasing services to achieve our growth in revenue. The PRC economy has slowed down after three decades of rapid growth. The economic downturn in the PRC may adversely affect the general demand for leasing services, which in turn may adversely affect our business and development prospects.

In addition, our financial condition, results of operations and prospects are, to a material extent, subject to political and social conditions and government policy developments in the PRC. The PRC economy differs from the economies of developed countries in many respects, including, among others, the degree of government involvement, control of investment, level of economic development, growth rate, foreign exchange controls and resource allocation. Although the PRC economy has been transitioning from a planned economy to a more market-oriented economy for more than three decades, a substantial portion of productive assets in the PRC is still owned by the PRC government and SOEs. The PRC government also exercises significant control over the economic growth of the PRC through allocating resources, controlling payments of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. In recent years, the PRC government has implemented measures emphasizing the utilization of market forces in economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance practices in business enterprises. Some of these measures benefit the overall PRC economy, but may adversely affect us.

The PRC legal system has potential uncertainties that could limit the legal protection available to you.

PRC laws and regulations govern our operations in China. We and some of our operating subsidiaries are organized under PRC laws. The PRC legal system is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value unless the Supreme People's Court of the PRC otherwise provides. Furthermore, PRC legal provisions are generally interpreted by courts and law enforcement agencies before being applied and enforced. The PRC government has continually sought to develop and improve legal regimes and made significant progress in the development of laws and regulations regulating commerce and business affairs, such as foreign investment, corporate organization and governance, trading of commerce, taxation and trade.

However, as many of these laws and regulations are evolving and the leasing industry in China is developing, there are some uncertainties in the interpretation and enforcement of the PRC laws and regulations. These uncertainties may adversely affect our business and prospects, may further affect the legal remedies and protections available to investors, and may adversely affect the value of your investment.

Many aspects of our business depend upon receipt of the relevant government authorities' approvals and permits. As the PRC legal system and leasing industry develop, changes in such laws and regulations, or in their interpretation or enforcement, could materially and adversely affect our business, financial condition and results of operations.

Investors may experience difficulties in effecting service of legal process and enforcing judgments against us and our Directors, Supervisors and management.

We are a company incorporated under the laws of the PRC, and a majority of our assets are located in the PRC. In addition, most of our Directors, Supervisors and executive officers reside within the PRC, and the assets of our Directors, Supervisors and executive officers are likely to be located within the PRC. As a result, it may not be possible to effect service of process within the United States or elsewhere outside the PRC upon our Directors, Supervisors and executive officers, including with respect to matters arising under the U.S. federal securities laws or applicable state securities laws. Moreover, the PRC does not have treaties providing for the reciprocal enforcement of court judgments with Japan, the United States, the United Kingdom or most other western countries. In addition, Hong Kong has no arrangement for the reciprocal enforcement of court judgments with the United States. As a result, recognition and enforcement in the PRC or Hong Kong of judgments of a court in Japan, the United States, the United Kingdom or most other western countries in relation to any matter that is not subject to a binding arbitration provision may be difficult or impossible.

The fluctuations in the exchange rate of RMB and the government's controls on currency conversion may affect our business, results of operations and financial condition.

Our businesses are mainly denominated in RMB and certain of our bank borrowings are denominated in US dollars. Since our consolidated financial statements are prepared in RMB, fluctuations in the exchange rate of RMB against the US dollar will affect our revenue and expenditure denominated in US dollars, resulting in foreign exchange gains or losses. We recorded foreign exchange losses of RMB90.2 million in 2016 and RMB19.8 million in 2018 and recorded foreign exchange gain of RMB33.1 million in 2017, arising from our US dollar exposure in connection with our US dollar denominated borrowings. We cannot predict how the RMB will fluctuate in the future. Currency translation losses may occur upon conversion between RMB and the US dollars, and unfavorable movement in the exchange rate of RMB against the US dollar may have a material adverse effect on our results of operations and financial condition. Moreover, the tools available to us to reduce foreign exchange risk with reasonable costs are limited, and there can be no assurance that we could effectively reduce our foreign exchange risk with monetary derivative instruments or other means.

The exchange rates of RMB against the US dollar and other currencies are affected by the political and economic environment in the PRC, the PRC government's fiscal and currency policies and international political and economic conditions. On August 11, 2015, the PBOC announced an adjustment to the mechanism of determining the midpoint price of RMB to the US dollar to make the exchange rate of RMB more market-based. The modified mechanism allows traders to consider the closing exchange rate in the previous trading day when they quote the midpoint price for RMB against

the US dollar. On the same day, the midpoint price for RMB against the US dollar depreciated nearly 2.0% as compared to August 10, 2015, and further depreciated nearly 1.6% on August 12, 2015 as compared to August 11, 2015. With regard to adopting more flexible currency policies, the PRC government still receives considerable international pressure, which could lead to further fluctuations of RMB against the US dollar and there can be no assurance that significant appreciation or depreciation of RMB against the US dollar will not take place in the future. Any adverse fluctuations in the exchange rate may affect our overseas purchases, repayment of foreign currency debts and global business, and our financial condition and results of operations may be materially and adversely affected.

In addition, most of our revenue is denominated in RMB, which is not a freely convertible currency. A portion of our cash may be required to be converted into other currencies, particularly the US dollar, in order to meet our foreign currency needs, including cash payments on declared dividends, if any, on our **[REDACTED]**. In addition, under the current PRC foreign exchange regulations, following the completion of the **[REDACTED]**, and after complying with certain procedural requirements, we will be able to undertake foreign exchange transactions in current accounts, including payment of dividends without prior approval from the SAFE. However, the PRC government may in the future, at its discretion, take measures to restrict access to foreign currencies for capital account and current account transactions in certain circumstances, in which case we may not be able to pay dividends in foreign currencies to holders of our H Shares.

We may be subject to risks related to epidemics, acts of terrorism, wars, or other natural or man-made calamities globally.

A recurrence of Ebola virus disease, Severe Acute Respiratory Syndrome, or other epidemic diseases such as H5N1 bird flu, H1N1 swine flu, Type A H1N1 influenza or Middle East Respiratory Syndrome, especially in the areas where we or our lessees operate, may result in widespread health crises and restrict business activities in the affected areas, which may in turn cause material disruptions to our and our lessees' businesses. Natural disasters such as earthquakes, floods, volcano eruptions, severe weather conditions, or other catastrophic events, may also result in serious economic depression in the affected areas or in China which may severely affect the regions where we or our lessees operate. Our business prospects, financial condition and results of operations may also be materially and adversely affected.

Similarly, acts of terrorism, wars, threats of war, social unrest and the corresponding heightened travel security measures instituted in response to such events, as well as geopolitical uncertainty and international conflict and tension, could affect economic development and construction projects. In turn, there could be a material adverse effect on our business, financial condition and results of operations. In addition, we may not be adequately prepared in terms of contingency planning or have recovery capabilities in place to deal with a major incident or crisis. As a result, our operational continuity may be materially and adversely affected and our reputation may be seriously harmed.

For our leasing business involving transportation means, such as commercial vehicles and passenger vehicles, an outbreak of epidemic diseases could materially and adversely affect the passenger demand for travel to affected regions. Similarly, the lack of travel demand or the inability of lines to operate to or from certain regions due to severe weather conditions and natural disasters, as well as acts of terrorism, wars and similar events, could impact the financial condition of certain of our lessees. These consequences could impair our lessees' ability to make lease payments to us, which would materially and adversely affect our business, financial condition and results of operations.

You will be subject to PRC taxation on dividends received from us and gains from the disposition of our H Shares.

Non-PRC resident individual holders of H Shares whose names appear on the register of members of H Shares ("Non-PRC Resident Individual Holders") are subject to PRC individual income tax on dividends received from us. Pursuant to the Circular on Questions Concerning the Collection of Individual Income Tax Following the Repeal of Guo Shui Fa [1993] No. 045 (Guo Shui Han [2011] No. 348) (《關於國税發[1993] 045號文件廢止後有關個人所得税徵管問題的通知》(國税函[2011]348號)) dated June 28, 2011 and issued by the SAT, the tax rate applicable to dividends paid to Non-PRC Resident Individual Holders of H Shares varies from 5.0% to 20.0% (usually 10.0%), depending on whether there is any applicable tax treaty between the PRC and the jurisdiction in which the Non-PRC Resident Individual Holder of H Shares resides, as well as the tax arrangement between the PRC and Hong Kong. Non-PRC Resident Individual Holders who reside in jurisdictions that have not entered into tax treaties with the PRC are subject to a 20.0% withholding tax on dividends received from us. See "Appendix III — Taxation and Foreign Exchange." In addition, under the Individual Income Tax Law of the PRC (《中華人民共和國個人所得税法》) and its implementation regulations, Non-PRC Resident Individual Holders of H Shares are subject to individual income tax at a rate of 20.0% on gains realized upon the sale or other disposition of H Shares. However, pursuant to the Circular Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得税的通知》) issued by the MOF and the SAT on March 30, 1998, gains of individuals derived from the transfer of listed shares of enterprises may be exempt from individual income tax. Based on our knowledge, as of the Latest Practicable Date, the PRC tax authorities have not in practice sought to collect individual income tax on such gains. If such tax is collected in the future, the value of such individual holders' investments in H Shares may be materially and adversely affected.

Under the EIT Law and its implementation regulations, a non-PRC resident enterprise is generally subject to enterprise income tax at a rate of 10.0% with respect to its PRC-sourced income, including dividends received from a PRC company and gains derived from the disposition of equity interests in a PRC company. This rate may be reduced under any special arrangement or applicable treaty between the PRC and the jurisdiction in which the non-PRC resident enterprise resides. Pursuant to the Circular on Questions Concerning Withholding of Enterprise Income Tax for Dividends Distributed by Resident Enterprises in China to Non-resident Enterprises Holding H-shares of the Enterprises (Guo Shui Han [2008] No. 897) (《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税有關問題的通知》(國税函[2008]897號)) promulgated by the SAT on November 6, 2008, we intend to withhold tax at 10.0% from dividends payable to non-PRC resident enterprise holders of H Shares (including HKSCC Nominees). Non-PRC resident enterprises that are entitled to be taxed at a reduced rate under an applicable income tax treaty or arrangement will be required to apply to the PRC tax authorities for a refund of any amount withheld in excess of the applicable treaty rate, and payment of such refund will be subject to the PRC tax authorities' approval. See "Appendix III — Taxation and Foreign Exchange." There are uncertainties as to the interpretation and implementation of the EIT Law and its implementation rules by the PRC tax authorities, including whether and how enterprise income tax on gains derived upon the sale or other disposition of H Shares will be collected from non-PRC resident enterprise holders of H Shares. If such tax is collected in the future, the value of such non-PRC resident enterprise holders' investments in H Shares may be materially and adversely affected.

RISKS RELATING TO THE [REDACTED]

There has been no prior public market for our H Shares and the liquidity and market price of our H Shares may be volatile.

Prior to the **[REDACTED]**, there has been no public market for our H Shares. The initial issue **[REDACTED]** for our H Shares was the result of negotiations between us and the **[REDACTED]** on behalf of the **[REDACTED]**, and the **[REDACTED]** may differ significantly from the market price of our H Shares following the **[REDACTED]**. We have applied for **[REDACTED]** of, and permission to deal in, our H Shares on the Hong Kong Stock Exchange. A **[REDACTED]** on the Hong Kong Stock Exchange, however, does not guarantee that an active and liquid trading market for our H Shares will develop, or if it does develop, that it will be sustained following the **[REDACTED]**, or that the market price of our H Shares will not decline following the **[REDACTED]**. Furthermore, the price and trading volume of our H Shares may be volatile. The following factors may affect the volume and price at which our H Shares will trade:

- actual or anticipated fluctuations in our revenue and results of operations (including variations arising from foreign exchange rate fluctuations);
- loss of significant customers or material defaults by our lessees;
- news regarding the recruitment or loss of key personnel by us or our competitors;
- announcements of competitive developments, acquisitions or strategic alliances in our industry;
- changes in earnings estimates or recommendations by financial analysts;
- potential litigation or regulatory investigations;
- general market conditions or other developments affecting us or our industry;
- the operating and stock price performance of other companies, other industries and other events or factors beyond our control; and
- the release of lock-up or other transfer restrictions on our outstanding H Shares or sales or perceived sales of additional H Shares by us or other shareholders.

Moreover, the securities market has from time to time experienced significant price and volume fluctuations that were unrelated or not directly related to the operating performance of the underlying companies. These broad market and industry fluctuations may have a material and adverse effect on the market price and trading volume of our H Shares.

Since there will be a gap of several days between the pricing and trading of our [REDACTED], holders of our [REDACTED] are subject to the risk that the price of our [REDACTED] could fall during the period before trading of our [REDACTED] begins.

The **[REDACTED]** of our H Shares is expected to be determined on the **[REDACTED]**. However, our H Shares will not commence trading on the Hong Kong Stock Exchange until they are delivered, which is expected to be five Hong Kong business days after the **[REDACTED]**. As a result, investors may not be able to sell or deal in our H Shares during that period. Accordingly, holders of our

H Shares are subject to the risk that the **[REDACTED]** of our H Shares could fall before trading begins as a result of adverse market conditions or other adverse developments, which could occur between the time of sale and the time trading begins.

Future sales or perceived sales of a substantial number of our H Shares in public markets could cause the prevailing market price of our H Shares to decrease significantly, as well as dilute our shareholders' H shareholdings.

The market price of our H Shares could decline as a result of future sales of a substantial number of our H shares or other securities relating to our H shares in the public market, or the issuance of new shares or other securities, or the perception that such sales or issuances may occur. Future sales, or anticipated sales, of substantial amounts of our securities, including any **[REDACTED]**, could also materially and adversely affect our ability to raise capital at a specific time and on terms favorable to us. In addition, our shareholders may experience dilution in their holdings when we issue additional securities in **[REDACTED]**. New equity or equity-linked securities issued by us may also confer rights and privileges that take priority over those conferred by the H Shares.

The conversion of a significant number of Domestic Shares into H Shares could adversely affect the prevailing market price of our H Shares.

Our Domestic Shares can be converted into H Shares under certain circumstances, subject to the applicable PRC laws, regulations and approvals, and the rules, regulations and procedures of the Hong Kong Stock Exchange. If a significant number of Domestic Shares are converted into H Shares, the supply of H Shares may be substantially increased, which could have a material and adverse effect on the prevailing market price for our H Shares.

As the [REDACTED] of our H Shares is higher than our consolidated net tangible book value per share, purchasers of our H Shares in the [REDACTED] may experience immediate dilution upon such purchases.

As the **[REDACTED]** of our H Shares is higher than the consolidated net tangible assets per share immediately prior to the **[REDACTED]**, purchasers of our H Shares in the **[REDACTED]** may experience an immediate dilution in the **[REDACTED]** per H Share and our existing Shareholders will receive an increase in the **[REDACTED]** per share of their shares. In addition, holders of our H Shares may experience further dilution of their interest if the **[REDACTED]** is exercised or if we issue additional shares in the future to raise additional capital.

It is possible that we set the [REDACTED] after making a [REDACTED].

We have the flexibility to make a **[REDACTED]** to set the **[REDACTED]** at up to 10% below the bottom end of the **[REDACTED]** per **[REDACTED]**. It is therefore possible that the **[REDACTED]** will be set at HK$**[REDACTED]** per **[REDACTED]** upon the making of a full **[REDACTED]**. In such a situation, the **[REDACTED]** will proceed and the **[REDACTED]** will not apply. If the **[REDACTED]** is set at HK$**[REDACTED]**, the estimated net **[REDACTED]** we will receive from the **[REDACTED]** will be reduced to HK$**[REDACTED]** and such reduced **[REDACTED]** will be used as described in "Future Plans and Use of **[REDACTED]** — Use of **[REDACTED]**."

Payment of dividends is subject to restrictions under PRC laws.

During the Track Record Period, our Company did not declare or distribute any dividend. Under the applicable PRC laws, dividends may be paid only out of distributable profits. Distributable profits means, as determined under PRC GAAP or IFRS, whichever is lower, the net profits for a period, plus the distributable profits or net of the accumulated losses, if any, at the beginning of such period, less appropriations to statutory surplus reserve (determined under PRC GAAP) and discretionary surplus reserve (as approved by our shareholders' meeting). As a result, we may not have sufficient profit to enable us to make future dividend distributions, even if any of our financial statements prepared in accordance with PRC GAAP or IFRS indicates that our operations have been profitable.

We have significant discretion as to how we will use the net [REDACTED] of the [REDACTED] and you may not necessarily agree with how we use them.

We plan to use the net **[REDACTED]** from the **[REDACTED]** mainly to further develop our business. See "Future Plans and Use of **[REDACTED]** — Use of **[REDACTED]**." However, our management will have discretion as to the actual utilization of our net **[REDACTED]**. You are entrusting your funds to our management, upon whose judgment you must depend, for the specific uses we will make of the net **[REDACTED]** from this **[REDACTED]**. Our management may use the net **[REDACTED]** from the **[REDACTED]** in ways you may not agree with or that do not yield a favorable return to our Shareholders.

Certain facts and statistics derived from government and third-party sources contained in this Document may not be reliable.

We have derived certain facts and other statistics in this Document, particularly those relating to the PRC, the PRC economy and the industry in which we operate, from information provided by the PRC and other government agencies, industry associations, independent research institutes or other third-party sources. While we have taken reasonable care in the reproduction of the information, it has not been prepared or independently verified by us, the **[REDACTED]** or any of our or their respective affiliates or advisors. Therefore, we cannot assure you of the accuracy and reliability of such facts and statistics, which may not be consistent with other information compiled inside or outside the PRC. The facts and other statistics include the facts and statistics included in the sections entitled "Risk Factors," "Industry Overview" and "Business." Due to possibly flawed or ineffective collection methods or discrepancies between the published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable to statistics produced for other economies and you should not place undue reliance on them. Furthermore, we cannot assure you that they are stated or compiled on the same basis, or with the same degree of accuracy, as the similar statistics presented elsewhere. In all cases, you should consider carefully how much weight or importance you should attach to or place on such facts or statistics.

You should read this entire Document carefully and we strongly caution you not to rely on any information contained in press articles or other media regarding us and the [REDACTED].

Prior to the publication of this Document, there had been press and media coverage regarding us and the **[REDACTED]**, which contained, among other things, certain financial information, projections, valuations and other forward-looking information about us and the **[REDACTED]**. We have not authorized the disclosure of any such information in the press or media and do not accept responsibility for the accuracy or completeness of such press articles or other media coverage. We

make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward-looking information about us. To the extent that such statements are inconsistent with, or conflict with, the information contained in this Document, we disclaim responsibility for them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this Document only and should not rely on any other information.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

In preparation for the **[REDACTED]**, the Company has applied for the waivers from strict compliance with the relevant provisions of the Listing Rules as set out below.

WAIVER IN RELATION TO MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rules 8.12 and 19A.15 of the Listing Rules, we must have sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong.

Since most of the business operations of our Company and our subsidiaries are managed and conducted in the PRC, and both of our executive Directors ordinarily reside in the PRC, we do not and, for the foreseeable future, will not contemplate that we will have sufficient management presence in Hong Kong for the purpose of satisfying the requirements under Rules 8.12 and 19A.15 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted] us, a waiver from strict compliance with the requirements under Rules 8.12 and 19A.15 of the Listing Rules, subject to the following conditions. In order to maintain effective communication with the Stock Exchange, we will put in place the following measures between us and the Stock Exchange:

1. We have appointed Mr. Ding Xueqing and Ms. So Shuk Yi Betty ("Ms. So") as our authorized representatives ("Authorized Representatives") pursuant to Rules 3.05 and 19A.07 of the Listing Rules. The Authorized Representatives will act as our Company's principal channel of communication with the Stock Exchange. The Authorized Representatives will be readily contactable by phone, facsimile and email to promptly deal with enquiries from the Stock Exchange, and will also be available to meet with the Stock Exchange to discuss any matter within a reasonable period of time upon request of the Stock Exchange;

2. When the Stock Exchange wishes to contact the Directors on any matter, each of the Authorized Representatives will have all necessary means to contact all of our Directors (including our independent non-executive Directors) and senior management team promptly at all times. Our Company will also inform the Stock Exchange promptly in respect of any changes in the Authorized Representatives. We have provided the Stock Exchange with the contact details (i.e. mobile phone number, office phone number, fax number and email address) of all Directors to facilitate communication with the Stock Exchange;

3. All Directors who do not ordinarily reside in Hong Kong possess or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period;

4. We have appointed Haitong International Capital as our compliance advisor (the "Compliance Advisor") upon **[REDACTED]** pursuant to Rule 3A.19 of the Listing Rules for a period commencing on the **[REDACTED]** and ending on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the **[REDACTED]**. The Compliance Advisor will have access at all times to our Authorized Representatives, the Directors and other senior management and act as the additional channel of communication with the Stock Exchange when the Authorized Representatives are not available; and

5. We have provided the Stock Exchange with the names, mobile phone numbers, office phone numbers, fax numbers and email addresses of at least two of the Compliance Advisor's officers who will act as the Compliance Advisor's contact persons between the Stock Exchange and the Company pursuant to Rule 19A.06(4) of the Listing Rules.

Pursuant to Rule 19A.05(2) of the Listing Rules, we shall ensure that the Compliance Advisor will have access at all times to our Authorized Representatives, our Directors and other officers. We shall also ensure that such persons will timely provide such information and assistance as the Compliance Advisor may need or may reasonably request in connection with the performance of the Compliance Advisor's duties as set forth in Chapter 3A and Rule 19A.06 of the Listing Rules. We shall ensure that there are adequate and efficient means of communication among our Company, our Authorized Representative, our Directors, and other officers and the Compliance Advisor, and will keep the Compliance Advisor fully informed of all communications and dealings between us and the Stock Exchange.

WAIVER IN RESPECT OF APPOINTMENT OF JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, we must appoint a company secretary who, by virtue of his/her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of the company secretary. Note 1 to Rule 3.28 of the Listing Rules further provides that the Stock Exchange considers the following academic or professional qualifications to be acceptable:

(a) a member of The Hong Kong Institute of Chartered Secretaries;

(b) a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong; and

(c) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

In assessing the "relevant experience," the Stock Exchange will consider the individual's:

(i) length of employment with the issuer and other issuers and the roles he/she played;

(ii) familiarity with the Listing Rules and other relevant laws and regulations including the SFO, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;

(iii) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and

(iv) professional qualifications in other jurisdictions.

Our Company has appointed Mr. Fu Da ("Mr. Fu") as one of the joint company secretaries. He has extensive experience in board and corporate management matters but presently does not possess any of the qualifications under Rules 3.28 and 8.17 of the Listing Rules, and may not be able to solely fulfill the requirements of the Listing Rules. Therefore, we have appointed Ms. So, an associate of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom, who fully meets the requirements stipulated under Rules 3.28 and 8.17 of the Listing Rules to act as the other joint company secretary and to provide assistance to

Mr. Fu for an initial period of three years from the **[REDACTED]** to enable Mr. Fu to acquire the "relevant experience" under Note 2 to Rule 3.28 of the Listing Rules so as to fully comply with the requirements set forth under Rules 3.28 and 8.17 of the Listing Rules.

Ms. So will work closely with Mr. Fu to jointly discharge the duties and responsibilities as company secretary and assist Mr. Fu in acquiring the relevant experience as required under Rules 3.28 and 8.17 of the Listing Rules. Mr. Fu will also be assisted by (a) the Compliance Advisor of the Company for the first full financial year from the **[REDACTED]**, particularly in relation to Hong Kong corporate governance practices and compliance issues; and (b) the Hong Kong legal advisors of the Company, on matters concerning the Company's ongoing compliance with the Listing Rules and the applicable laws and regulations. In addition, Mr. Fu will endeavor to attend relevant trainings and familiarize himself with the Listing Rules and duties required for a company secretary of a PRC issuer listed on the Stock Exchange.

We have applied to the Stock Exchange for, and the Stock Exchange [has granted] us, a waiver from strict compliance with the requirements of Rules 3.28 and 8.17 of the Listing Rules. The waiver is valid for an initial period of three years from the **[REDACTED]**, and is granted on the condition that we engage Ms. So, who possesses all the requisite qualifications required under Rule 3.28 of the Listing Rules, to assist Mr. Fu in discharging his duties as a joint company secretary and in gaining the "relevant experience" as required under Note 2 to Rule 3.28 of the Listing Rules.

Before the expiration of the initial three-year period, the qualifications of Mr. Fu will be re-evaluated to determine whether the requirements as stipulated in Rules 3.28 and 8.17 of the Listing Rules can be satisfied and whether the need for ongoing assistance will continue. In the event Mr. Fu fulfills all the requirements stipulated at the end of the initial three-year period, the above joint company secretaries arrangement would no longer be necessary for our Company.

WAIVER IN RESPECT OF CONNECTED TRANSACTIONS

Our Company has entered into and is expected to continue after the **[REDACTED]**, certain transactions which will constitute non-exempt continuing connected transactions as defined under the Listing Rules. We have applied to the Stock Exchange for waivers pursuant to Rule 14A.105 of the Listing Rules in relation to the transactions under (1) the Business Referral Framework Agreement from the announcement requirement under Rule 14A.35 of the Listing Rules, and in relation to the transactions under (2) the Financial Service Framework Agreement; and (3) the Financial Products Investment Framework Agreement, from the announcement and independent shareholders' approval requirements under Rules 14A.35 and 14A.36 of the Listing Rules, respectively. The Stock Exchange [has granted] us waivers from strict compliance with the announcement requirement in respect of the transactions under (1) the Business Referral Framework Agreement; and with the announcement and independent shareholders' approval requirements in respect of the transactions under (2) the Financial Service Framework Agreement; and (3) the Financial Products Investment Framework Agreement. For further information on such waivers see "Connected Transactions."

WAIVER IN RESPECT OF THE PUBLIC FLOAT REQUIREMENT

Rule 8.08(1)(a) of the Listing Rules requires that there must be an open market for the securities in which listing is sought and the minimum public float of a listed issuer must at all times be at least 25% of the issuer's total issued share capital. However, Rule 8.08(1)(d) of the Listing Rules provides that the Hong Kong Stock Exchange may, at its discretion, accept a lower percentage of between 15%

and 25%, if a new applicant meets the following requirements under Rule 8.08(1)(d) of the Listing Rules:

(a) the issuer shall have an expected market capitalization at the time of **[REDACTED]** of over HK$10 billion;

(b) the number of securities concerned and the extent of their distribution would enable the market to operate properly with a lower percentage;

(c) the issuer will make appropriate disclosure of the lower prescribed percentage of public float in the initial **[REDACTED]**;

(d) the issuer will confirm the sufficiency of the public float in successive annual reports after **[REDACTED]**; and

(e) a sufficient portion (to be agreed in advance with the Stock Exchange) of any securities intended to be marketed contemporaneously within and outside Hong Kong must normally be **[REDACTED]** in Hong Kong.

It is currently expected that the Company will have a market capitalization of between **[REDACTED]** and **[REDACTED]** at the time of **[REDACTED]** (after completion of the **[REDACTED]** but without taking into account the exercise of the **[REDACTED]**).

The Company has applied to the Hong Kong Stock Exchange to request the Hong Kong Stock Exchange to exercise its discretion under Rule 8.08(1)(d) of the Listing Rules, [and the Hong Kong Stock Exchange has granted us], a waiver from strict compliance with the requirements under Rule 8.08(1)(a) of the Listing Rules. Therefore, the public float of the Company may fall below **[REDACTED]**% of the total issued share capital of the Company.

In support of the application, the Company confirmed to the Hong Kong Stock Exchange that:

(a) the minimum public float will be (i) **[REDACTED]**% of the total issued share capital of the Company; or (ii) if lower, such percentage of H shares to be held by the public immediately after the completion of the **[REDACTED]** and the exercise of the **[REDACTED]** (if any) but in any case not less than **[REDACTED]**% of the total issued share capital of the Company.

(b) the Company will make appropriate disclosure of the lower percentage of public float in this Document;

(c) the Company will as soon as practicable announce the percentage of the Shares held by the public immediately after the completion of the **[REDACTED]** (but before the exercise of the **[REDACTED]**), such that the public will be informed of the minimum public float requirement applicable to the Company;

(d) the Company will confirm sufficiency of public float in the Company's successive annual reports after the **[REDACTED]**; and

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

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

WAIVER IN RELATION TO THE ACCOUNTING AND DISCLOSURE REQUIREMENT OF BUSINESS OR SUBSIDIARY BUSINESS ACQUIRED AFTER THE TRACK RECORD PERIOD

Pursuant to Rule 4.04(2) of the Listing Rules, we are required to include in our accountants' report the results of any businesses or subsidiaries acquired, agreed to be acquired or proposed to be acquired since the date to which the latest audited accounts of our Company have been made up in respect of each of the three financial years immediately preceding the date of this Document. Rule 4.04(4)(a) of the Listing Rules, further provided that we need to include in our accountants' report the balance sheet of any business or subsidiary acquired, agreed to be acquired or proposed to be acquired since the date to which the latest audited accounts of our Company have been made up in each case as of the end of each of the three financial years to which the latest audited accounts of such business or subsidiary have been made up.

Gui'an UT is a joint venture company established by the Company, Haitong UT Capital and Gui'an Financial on November 29, 2016 in the PRC. The equity interests of Gui'an UT were formerly owned by the Company, Haitong UT Capital and Gui'an Financial as to 15%, 25% and 60%, respectively.

On June 8, 2017, the Company entered into an agreement with Haitong UT Capital, pursuant to which the Company agreed to acquire 25% equity interest in each of Gui'an UT, Haitong UniTrust Financial Leasing and Haitong UniFortune from Haitong UT Capital (or other entities to be established as transferees of such equity interests), through a subsidiary of the Company established outside China, at a consideration determined on the basis of the then applicable latest audited net assets of the three companies, within 30 days when such subsidiary is permitted under the applicable law to take up directly or indirectly the equity interests in Gui'an UT, Haitong UniTrust Financial Leasing and Haitong UniFortune and has the capacity to become a direct or indirect shareholder. Both parties shall execute documents necessary for the transfer of the equity interests and register the transfer of equity interests, and the parties shall perform their respective obligations. According to the agreement, during the period commencing on the effective date of the agreement until the execution of the documents for the transfer of equity interests between Haitong UT Capital and the Company or a third party designated by the Company and the completion of the filing/ approval/ registration procedures of the transfer, or such time as determined by the both parties (the "Entrustment Period"), the Company shall exercise, on behalf of Haitong UT Capital, all shareholder's rights other than the rights to sell and to receive income (including cash dividend and stock dividend), including but not limited to the rights to decide and to vote and other shareholder's rights of such equity interests (the "Entrustment Arrangement"). On June 14, 2017, Haitong UT Capital incorporated Haitong UT Holding Limited in Hong Kong as its wholly-owned subsidiary. On October 23, 2017, Haitong UT Capital entered into agreements with Haitong UT Holding Limited, and the Company, to transfer its 25% equity interest in each of Haitong UniTrust Financial Leasing and Haitong UniFortune to Haitong UT Holding Limited, at a consideration of approximately RMB361.9 million and RMB64.2 million (or equivalent USD or HKD), respectively. On November 20, 2017, Haitong UT Capital further entered into an agreement with Haitong UT Holding Limited, Gui'an Financial, and the Company, to transfer its 25% equity interest in Gui'an UT to Haitong UT Holding Limited at a consideration of approximately RMB378.5 million (or equivalent USD or HKD). Pursuant to these agreements, Haitong UT Holding Limited agreed to comply with the Entrustment Arrangement and Haitong UT Capital further agreed to subsequently transfer 100% equity interest of Haitong UT Holding Limited to the Group at a consideration determined on the basis of the then applicable latest unaudited net asset value of Haitong UT Holding Limited. On November 15, 2017, January 19, 2018 and June 15, 2018, 25% equity

interests in each of Haitong UniFortune, Haitong UniTrust Financial Leasing and Gui'an UT were transferred by Haitong UT Capital to Haitong UT Holding Limited. See "History, Reorganization and Corporate Structure" for details.

For the acquisition of 25% equity interests in Gui'an UT, we have applied to the Stock Exchange and the Stock Exchange [has granted] us, a waiver from strict compliance with the requirements under Rules 4.04(2) and (4)(a) of the Listing Rules for the following reasons:

- *Immateriality*: Gui'an UT was incorporated in 2016. As of December 31, 2018, the total assets of Gui'an UT are approximately RMB3.4 billion. The total revenue and profit of Gui'an UT for the financial year ended December 31, 2018 was approximately RMB250.1 million and RMB90.6 million, respectively.

  The applicable percentage ratios (as defined under Rule 14.04(9) of the Listing Rules) in relation to Gui'an UT are all less than 5% by reference to the most recent financial year of the Company's Track Record Period.

- *Unduly burdensome and impracticable to prepare the financial information*: As at the Latest Practicable Date, Gui'an UT is held as to 15%, 25% and 60% by the Company, Haitong UT Holding Limited and Gui'an Financial respectively. Accordingly, the Company will not include Gui'an UT in its combined financial statements as a subsidiary even after taking into account the 25% equity interests in Gui'an UT held by the Company under the Entrustment Arrangement. Immediately after the completion of transfer of the 25% equity interests in Gui'an UT, Gui'an UT will not become a subsidiary of the Company. Accordingly, it would be unduly burdensome for the Company to access or prepare the financial information of Gui'an UT for the purpose of Rules 4.04(2) and (4)(a) of the Listing Rules.

- *Alternative disclosure*: Pursuant to the HKEx-GL32-12 Guidance Letter issued by the Hong Kong Stock Exchange, we have disclosed the background information and reasons for our acquisition of the equity interests in Gui'an UT and confirmed that Gui'an Financial and its ultimate beneficial owner is an Independent Third Party of the Company and its connected persons in this document. The information disclosed in this document would include at least the information that would be required for a discloseable transaction under Chapter 14 of the Listing Rules. For the details on the acquisition of equity interests in Gui'an UT, see "History, Reorganization and Corporate Structure". We are of the view that such information is sufficient for providing information necessary for the potential investors to make informed assessment of the acquisition of such equity interests and the financial impact on the Group.

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[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE [REDACTED]

Director	Address	Nationality
Mr. Ren Peng (任澎)	Room 2601, No. 3, Lane 1, Weifang West Road Shanghai PRC	Chinese
Mr. Ding Xueqing (丁學清)	Room 101, No. 37 Lane 69, Shangpu Road Pudong New District Shanghai PRC	Chinese
Mr. Wu Shukun (吳淑琨)	Room 502, No. 32 Lane 183, Yuanping Road Zhabei District Shanghai PRC	Chinese
Mr. Zhang Shaohua (張少華)	Room 302, No. 15 13th Village Tianlin Xuhui District Shanghai PRC	Chinese
Ms. Zhou Jianli (周劍麗)	Room 2203, No. 2 Lane 1433, Xizang South Road Huangpu District Shanghai PRC	Chinese
Mr. Jiang Yulin (蔣玉林)	Room 2601, Block 2A Apartment 1872, Balizhuang Beili Park Chaoyang District Beijing PRC	Chinese
Mr. Yo Shin (楊辰)	Room 602, No. 30 Lane 909, Wangyue Road Xuhui District Shanghai PRC	Japanese
Mr. Zeng Qingsheng (曾慶生)	Room 801, No. 8 Lane 199, Weicheng Road Shanghai PRC	Chinese
Mr. Wu Yat Wai (胡一威)	Flat 28G The Manhattan No. 33 Tai Tam Road Hong Kong	Hong Kong

Supervisor	Address	Nationality
Ms. Wang Meijuan (王美娟)	Room 801, No. 12 Lane 888, Jinxiu Road Pudong New District Shanghai PRC	Chinese
Ms. Zhao Yue (趙越)	Room 301, No. 55 Lane 399, Zaozhuang Road Pudong New District Shanghai PRC	Chinese
Mr. Chen Xinji (陳新計)	Room 902, No. 10 Lane 368, Xinghong Road Minhang District Shanghai PRC	Chinese

See "Directors, Supervisors and Senior Management" for the biographies and other relevant information.

PARTIES INVOLVED IN THE [REDACTED]

Joint Sponsors

Haitong International Capital Limited
22/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

China International Capital Corporation Hong Kong Securities Limited
29th Floor, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

Citigroup Global Markets Asia Limited
50/F, Champion Tower
3 Garden Road
Central
Hong Kong

CMB International Capital Limited
45/F, Champion Tower
3 Garden Road
Central
Hong Kong

[REDACTED]

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE [REDACTED]

Legal Advisors to our Company	*as to Hong Kong and United States law* **Davis Polk & Wardwell** 18th Floor, The Hong Kong Club Building 3A Chater Road Hong Kong *as to PRC law* **Grandall Law Firm (Shanghai)** 23-25/F, Garden Square 968 West Beijing Road Shanghai PRC
Legal Advisors to the Joint Sponsors and the [REDACTED]	*as to Hong Kong and United States law* **Clifford Chance** 27th Floor, Jardine House One Connaught Place Central Hong Kong *as to PRC law* **Jia Yuan Law Offices** F408, Ocean Plaza 158 Fuxing Men Nei Street, Xicheng District, Beijing PRC
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Industry Advisor	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** 1018, Tower B 500 Yunjin Road Xuhui District Shanghai PRC
Compliance Advisor	**Haitong International Capital Limited** 22/F, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong

[REDACTED]

CORPORATE INFORMATION

Registered Office	10th Floor, Henderson Metropolitan No. 300 Nanjing East Road Huangpu District Shanghai PRC
Headquarters and Principal Place of Business in the PRC	10th Floor, Henderson Metropolitan, No. 300 Nanjing East Road Huangpu District Shanghai PRC
Principal Place of Business in Hong Kong	40th Floor, Sunlight Tower 248 Queen's Road East Wanchai Hong Kong
Company's Website	**http://www.utfinancing.com** (information contained in this website does not form part of this Document)
Joint Company Secretaries	Mr. Fu Da (傅達) 10th Floor, Henderson Metropolitan No. 300 Nanjing East Road Huangpu District Shanghai PRC Ms. So Shuk Yi Betty (蘇淑儀) (ACIS, ACS) 40th Floor, Sunlight Tower 248 Queen's Road East Wan Chai Hong Kong
Authorized Representatives	Mr. Ding Xueqing (丁學清) Ms. So Shuk Yi Betty (蘇淑儀)
Audit Committee	Mr. Zeng Qingsheng (曾慶生) (Chairman) Mr. Zhang Shaohua (張少華) Mr. Yo Shin (楊辰)
Nomination Committee	Mr. Ren Peng (任澎) (Chairman) Mr. Jiang Yulin (蔣玉林) Mr. Wu Yat Wai (胡一威)
Remuneration and Evaluation Committee	Mr. Jiang Yulin (蔣玉林) (Chairman) Mr. Wu Shukun (吳淑琨) Mr. Yo Shin (楊辰)
Risk Management Committee	Mr. Yo Shin (楊辰) (Chairman) Mr. Ding Xueqing (丁學清) Mr. Zhang Shaohua (張少華)

[REDACTED]

Principal Banks

China Construction Bank, Shanghai Pudong Branch
1/F, World Finance Tower
900 Lujiazui Ring Road
Pudong New District
Shanghai, PRC

The Export-Import Bank of China, Shanghai Branch
Tower A, Poly Plaza
2 Dongfang Road
Pudong New District
Shanghai, PRC

Industrial and Commercial Bank of China, Shanghai Branch
Century Finance Mansion
9 Pudong Avenue
Pudong New District
Shanghai, PRC

Bank of Communication, Shanghai Branch
Building B, Oriental Financial Plaza
1168 Century Avenue
Pudong New District
Shanghai, PRC

China Development Bank, Shanghai Branch
Fortune Plaza
68 Puming Road
Pudong New District
Shanghai, PRC

Agricultural Bank of China, Shanghai Pudong Branch
Jinsui Mansion
379 Pudong South Road
Pudong New District
Shanghai, PRC

Bank of China, Shanghai Branch
Shanghai Bank of China Tower
200 Yincheng Road Central
Pudong New District
Shanghai, PRC

The information and statistics set forth in this section and elsewhere in this Document have been derived from the industry report commissioned by us and independently prepared by Frost & Sullivan, in connection with the **[REDACTED]**. *In addition, certain information is based on, or derived or extracted from, among other sources, publications of government authorities and internal organizations, market statistics providers, communications with various PRC government agencies or other Independent Third Party sources unless otherwise indicated. We believe that the sources of such information and statistics are appropriate and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information and statistics are false or misleading in any material respect or that any fact has been omitted that would render such information and statistics false or misleading. Our Directors confirm that, after taking reasonable care, they are not aware of any adverse change in market information since the date of the Frost & Sullivan Report which may qualify, contradict or adversely impact the quality of the information in this section. None of our Company, the Joint Sponsors, the* **[REDACTED]**, *the* **[REDACTED]** *or any other party involved in the* **[REDACTED]** *or their respective directors, advisors and affiliates have independently verified such information and statistics and no representation has been given as to their accuracy. Accordingly, such information should not be unduly relied upon.*

SOURCE OF INFORMATION

We have commissioned Frost & Sullivan, an independent market researcher and consultant, to conduct analysis and prepare a report (the "Frost & Sullivan Report") on the PRC leasing industry and market. Founded in 1961, Frost & Sullivan conducts industry research and corporate training in various industries, including the financial and leasing industries. We agreed to pay Frost & Sullivan a fee of RMB450,000 for the preparation and use of the Frost & Sullivan Report. Unless otherwise indicated, market estimates or forecasts in this section represent Frost & Sullivan's view on the future development of the PRC financial leasing industry.

In preparing the report, Frost & Sullivan has relied on statistics and information obtained through both primary and secondary research. Primary research includes interviewing industry insiders and recognized third-party industry associations, while secondary research includes reviewing corporate annual reports, databases of relevant official authorities and professional agencies, independent reports and publications, as well as the proprietary database established by Frost & Sullivan during the past decades. Frost & Sullivan has also cross-checked the data obtained from different sources to ensure such data is in line with the practice of the industry. During the forecast period from 2018 to 2022, the forecasts were made by Frost & Sullivan on the basis of following assumptions:

- The social, economic and political conditions in China are expected to remain stable during the forecast period;
- China's economy is expected to continue to grow steadily during the forecast period;
- The key drivers of China's leasing industry are expected to continue to drive the development of leasing market in the forecast period; and
- The leasing market in China is not expected to be materially and adversely affected by any extreme circumstances during the forecast period.

Our Directors confirm that, after reasonable and due inquiry, there has been no adverse change in the market information since obtaining the data from Frost & Sullivan which may limit, contradict or affect the data in this section.

OVERVIEW OF THE PRC ECONOMY

Despite the global economic slowdown, China's economy developed steadily with a medium-to-high growth rate since 2012. According to Frost & Sullivan, China's nominal GDP grew from RMB54.0 trillion to RMB81.2 trillion from 2012 to 2017, representing a CAGR of 8.5%. It is expected that China's nominal GDP will grow from RMB81.2 trillion in 2017 to RMB122.6 trillion in 2022, representing a CAGR of 8.6%.

The following table sets forth China's historical and projected nominal GDP and growth rate from 2012 to 2022:

	2012	2013	2014	2015	2016	2017	2018E	2019E	2020E	2021E	2022E
China's nominal GDP (RMB in trillions)	54.0	59.7	64.7	69.9	74.6	81.2	88.6	96.5	104.9	113.6	122.6
Growth rate	–	10.6%	8.4%	8.0%	6.7%	8.8%	9.1%	8.9%	8.7%	8.3%	7.9%

Source: National Bureau of Statistics of the PRC, International Monetary Fund, Frost & Sullivan

Driven by China's steady economic growth and urbanization, China's fixed asset investment and urban fixed asset investment have continued to grow. According to the National Bureau of Statistics of the PRC, from 2012 to 2017, China's fixed asset investment grew at a CAGR of 11.3% from RMB37.5 trillion to RMB64.1 trillion, while China's urban fixed asset investment grew at a CAGR of 11.6% from RMB36.5 trillion to RMB63.2 trillion.

Equipment and tool spending is a sub-category of fixed asset investment. Driven by the overall growth of fixed asset investment, equipment and tool spending grew steadily in recent years. From 2012 to 2017, China's urban equipment and tool spending grew at a CAGR of 8.5% from RMB7.6 trillion to RMB11.4 trillion. In particular, equipment and tool spending has seen tremendous growth in recent years. According to National Bureau of Statistics of the PRC, equipment and tool spending in the PRC leasing industry grew from RMB15.7 billion in 2012 to RMB100.1 billion in 2017, representing a CAGR of 44.9%.

The following table sets forth China's fixed asset investment and urban fixed asset investment from 2012 to 2017:

	2012	2013	2014	2015	2016	2017	2012-2017 CAGR
China's fixed asset investment (RMB in trillions)	37.5	44.6	51.2	56.2	60.6	64.1	11.3%
China's urban fixed asset investment (RMB in trillions)	36.5	43.6	50.1	55.2	59.7	63.2	11.6%

Source: National Bureau of Statistics of the PRC, Frost & Sullivan

The following table sets forth China's urban equipment and tool spending and equipment and tool spending of the PRC leasing industry from 2012 to 2017:

	2012	2013	2014	2015	2016	2017	2012-2017 CAGR
China's urban equipment and tool spending (RMB in trillions)	7.6	8.9	9.9	10.9	11.2	11.4	8.5%
Equipment and tool spending of the PRC leasing industry (RMB in billions)	15.7	18.8	58.8	66.7	122.0	100.1	44.9%

Source: National Bureau of Statistics of the PRC, Frost & Sullivan

China's aggregate financing value has grown rapidly in recent years. From 2012 to 2017, China's aggregate financing value grew at a CAGR of 14.4% from RMB89.0 trillion to RMB174.6 trillion. With the need arising from industry upgrades, rapid development of new financial business models and optimization of financing structures, it is expected that China's aggregate financing value will continue

to grow. According to Frost & Sullivan, it is expected that the China's aggregate financing value will grow to RMB280.1 trillion in 2022, representing a CAGR of 9.9% from 2017 to 2022.

The following table sets forth the amount of China's aggregate financing value from 2012 to 2022:

	2012	2013	2014	2015	2016	2017	2018E	2019E	2020E	2021E	2022E
Aggregate financing value in China (RMB in trillions)	89.0	106.3	122.8	138.2	156.0	174.6	194.0	214.2	235.6	257.7	280.1

Source: The People's Bank of China, Frost & Sullivan

Bank loans currently remain the dominant and most developed financing channel. According to Frost & Sullivan, bank loans accounted for 59.2% of China's financing value in 2017. However, non-bank financing, especially financial leasing, has seen particularly strong growth in recent years. According to Frost & Sullivan, the contract balance of China's financial leasing market grew at the CAGR of 31.3% from 2012 to 2017, which was significantly higher than a CAGR of 14.4% for China's aggregate financing value for the same period.

The PRC financial leasing companies generally price their financial products based on the PBOC benchmark interest rates plus a spread and are therefore affected by the adjustments to the PBOC benchmark interest rates. The PBOC has historically adjusted the benchmark interest rates. For example, the PBOC reduced its benchmark rate five times in 2015, resulting in a decrease in the one-year benchmark lending rate from 5.60% on January 1, 2015 to 4.35% on December 31, 2015. The table below sets forth the fluctuation in the PBOC benchmark lending interest rates in recent years:

	PBOC benchmark lending interest rates (%)				
Adjustment Date	Less than 6 months	6 to 12 months	1 to 3 years	3 to 5 years	Over 5 years
3/18/2007	5.67	6.39	6.57	6.75	7.11
5/19/2007	5.85	6.57	6.75	6.93	7.20
7/21/2007	6.03	6.84	7.02	7.20	7.38
8/22/2007	6.21	7.02	7.20	7.38	7.56
9/15/2007	6.48	7.29	7.47	7.65	7.83
12/21/2007	6.57	7.47	7.56	7.74	7.83
9/16/2008	6.21	7.20	7.29	7.56	7.74
10/9/2008	6.12	6.93	7.02	7.29	7.47
10/30/2008	6.03	6.66	6.75	7.02	7.20
11/27/2008	5.04	5.58	5.67	5.94	6.12
12/23/2008	4.86	5.31	5.40	5.76	5.94
10/20/2010	5.10	5.56	5.60	5.96	6.14
12/26/2010	5.35	5.81	5.85	6.22	6.40
2/9/2011	5.60	6.06	6.10	6.45	6.60
4/6/2011	5.85	6.31	6.40	6.65	6.80
7/7/2011	6.10	6.56	6.65	6.90	7.05
6/8/2012	5.85	6.31	6.40	6.65	6.80
7/6/2012	5.60	6.00	6.15	6.40	6.55

Adjustment Date[1][2]	Less than 1 year	1 to 5 years	Over 5 years
11/22/2014	5.60	6.00	6.15
3/1/2015	5.35	5.75	5.90
5/11/2015	5.10	5.50	5.65
6/28/2015	4.85	5.25	5.40
8/26/2015	4.60	5.00	5.15
10/24/2015	4.35	4.75	4.90

(1) Since November 22, 2014, the PBOC has been setting three categories of benchmark interest rates rather than the previous five categories.

(2) From October 24, 2015 to the Latest Practicable Date, no adjustment has been made to the PBOC benchmark lending interest rate.

Source: The People's Bank of China, Frost & Sullivan

OVERVIEW OF THE PRC FINANCIAL LEASING INDUSTRY

In comparison with those of developed countries, the financial leasing industry, an emerging industry in the financial sector, is still at an early stage of development in China. In 1981, the first Sino-foreign financial leasing joint venture was established, which marked the beginning of the PRC financial leasing industry. Benefiting from economic growth and supported by a series of governmental policies, the PRC financial leasing industry has picked up the growth momentum in recent years. According to Frost & Sullivan, in terms of the balance of financial lease contracts, the market size of PRC financial leasing industry grew at a CAGR of 31.3% from RMB1,550.0 billion in 2012 to RMB6,060.0 billion in 2017. During the same period, operating revenue of the PRC financial leasing industry increased from RMB63.5 billion to RMB329.0 billion, representing a CAGR of 39.0%. As of December 31, 2017, China had the largest leasing market across the world in terms of the balance of leased assets. According to Frost & Sullivan, it is expected that the balance of PRC financial lease contracts will continue to grow from 2017 to 2022 at a CAGR of 12.3% and will reach RMB10,823.0 billion in 2022.

The following table sets forth the balance of financial lease contracts and the operating revenue of the PRC financial leasing industry from 2012 to 2022:

	2012	2013	2014	2015	2016	2017	2018E	2019E	2020E	2021E	2022E
	(RMB in billions)										
Balance of financial lease contracts in the PRC financial leasing industry	1,550	2,100	3,200	4,440	5,330	6,060	6,860	7,724	8,667	9,698	10,823
Operating revenue of the PRC financial leasing industry	63.5	82.1	163.3	188.6	260.1	329.0	400.7	467.6	533.1	594.9	656.2

Source: National Bureau of Statistics of the PRC, Frost & Sullivan

The development of the PRC financial leasing industry is primarily driven by the following factors:

Low penetration rate of the PRC financial leasing industry provides huge development potential. The penetration rate (the proportion of total leased assets to total fixed asset investment) of the PRC financial leasing industry is relatively low as compared to those of developed countries. According to Frost & Sullivan, in 2016, the penetration rate of the PRC financial leasing industry was 8.8%, while the penetration rates in the United Kingdom, the United States and Germany were 33.7%, 21.5% and 17.0%, respectively.

The following table sets out the total transaction volume and penetration rate of the top five global financial leasing markets in terms of total trading volume in 2016:

	Total transaction volume[1] (US dollars in billions)	Penetration rate[2]
China	820.0	8.8%
United States	383.9	21.5%
United Kingdom	81.8	33.7%
Germany	64.3	17.0%
Japan	59.4	8.4%

(1) Total transaction volume includes transaction volume of both financial leasing and operating leasing of all types of equipment.

(2) Penetration rate of the leasing industry refers to the proportion of total leased assets to total fixed asset investment.

Source: White Clarke Group, Frost & Sullivan

The financial leasing industry remains less developed than the banking industry and represents an attractive financing alternative for micro, small and medium enterprises. Despite its rapid growth in recent years, the financial leasing industry in China remains less developed than the well-established banking industry. According to Frost & Sullivan, as of the end of 2017, the outstanding loans of PRC financial institutions amounted to RMB120.1 trillion. The contractual balance of the PRC financial leasing industry amounted to RMB6.1 trillion, respectively. Currently, PRC banking institutions generally adopt strict credit lending criteria and loan approval procedures, and the borrowers mainly consist of large and medium enterprises, particularly large SOEs. Financial leasing business has a huge growth potential in meeting the financing needs of various types of enterprises, particularly micro, small and medium enterprises. Compared to bank loans, financial leasing enables micro, small and medium enterprises with limited security to access medium- and long-term financing, alleviating the pressure for initial capital expenditure, generating liquidity for fixed assets and enhancing asset utilization efficiency. Financial leasing has increasingly become one of the preferred medium- and long-term financing solutions for micro, small and medium enterprises.

Introduction of favorable policies and continuous improvement in the regulatory environment. In recent years, the PRC government has issued a series of documents to facilitate the development of the financial leasing industry, which provide guidance and support in various aspects, including access to the industry, key areas of development, financing channels, and preferential finance and tax policies. For instance, in August 2015, the State Council issued the Guiding Opinions on Accelerating the Development of the Financial Leasing Industry (《關於加快融資租賃業發展的指導意見》), which affirmed the support for financial leasing companies through policies and proposed a series of specific measures. In addition, provincial governments and directly-controlled municipalities, including Guangdong, Shanghai and Tianjin, have introduced favorable policies to facilitate the development of the financial leasing industry. The PRC government has also strengthened its support for foreign-funded financial leasing enterprises and introduced a series of favorable policies on registered capital, conditions of overseas bonds offering, delegation of approval authority and other aspects.

Rapid growth of the PRC financial leasing industry underpinned by the development of the real economy. The continuous development of China's real economy and the increasing financing needs of various industries and enterprises are the fundamental driving forces for the PRC financial leasing industry. Currently, the PRC government places the growth of real economy on high priority and emphasizes the role of financial markets in serving the real economy with an aim to drive capital into the real economy. As an asset-based financing tool, financial leasing satisfies the dual needs of enterprises in equipment upgrade and financing, playing an important role in promoting the development of real economy. In addition, the implementation of the Belt and Road initiatives will generate abundant business opportunities for cross-border infrastructure construction, which will in turn create a strong demand for equipment and capital. All of these are expected to present huge market opportunities for PRC financial leasing companies.

Accelerated development of the PRC leasing industry fuelled by the supply-side structural reform and technological advancement. The supply-side structural reform focuses on more efficient allocation of resources by eliminating obsolete production capacities and speeding up the innovation-driven development. The rapid development of new industry clusters, including the high-end manufacturing and modern service industries, will become new growth drivers of the financial leasing

industry. On the other hand, along with the scientific advancement and revolution of information technology, the life span of various equipment and products in the market will be shorter. The shorter product life cycle will drive capital demands for improving utilization efficiency and upgrading equipment, generating abundant market opportunities for financial leasing.

Improving profitability of the industry driven by diversified financing channels and increased leverage levels. With a more relaxed policy environment and overall growth of the industry, financing channels of the PRC financial leasing companies are expected to become increasingly diversified. The size of direct financing through bond offerings and other debt financing tools as well as asset securitization by PRC financial leasing companies is expected to continually increase and heighten the leverage and profitability levels of the industry. As of December 31, 2017, the average risk asset-to-equity ratio (calculated by dividing risk assets by total equity) of foreign-funded financial leasing companies was 5.15 times, indicating room for more financial leverage as compared to the permissible maximum risk asset-to-equity ratio of 10 times set by the MOFCOM. In 2014, 2015, 2016 and 2017 the ROAE of foreign-funded financial leasing companies approved by the MOFCOM were 6.9%, 7.2%, 8.4% and 8.7%, respectively, which is expected to further improve driven by the growing average risk-asset to-equity ratio of the industry.

Competitive Landscape of the PRC Financial Leasing Market

Major participants in the financial leasing market

According to Frost & Sullivan, as of December 31, 2017, there were 9,090 financial leasing companies in China.

In China, the establishment of financial leasing companies is subject to the approval of competent government authorities. Based on the approval authority, financial leasing companies can be categorized into following two types:

- **Financial leasing companies approved by the MOFCOM.** Based on the difference of shareholding structures, financial leasing companies approved by the MOFCOM can be further divided into foreign-funded financial leasing companies and domestic-funded financial leasing pilot companies. Foreign-funded financial leasing companies refer to financial leasing companies sponsored and established by foreign investors. As of December 1, 2017, there were 8,745 foreign-funded financial leasing companies in China and the total balance of their financial lease contracts amounted to approximately RMB1,900.0 billion. Key players in this category include our Company, International Far Eastern Leasing Co., Ltd. (遠東國際租賃有限公司), and Ping An International Financial Leasing Co., Ltd. (平安國際融資租賃有限公司). Domestic-funded financial leasing pilot companies are established by domestic enterprises with strong financial position. As of December 31, 2017, there were 276 domestic-funded financial leasing pilot companies in China and the total balance of their financial lease contracts amounted to approximately RMB1,880.0 billion. Key players in this category include Bohai Leasing Co., Ltd. (渤海租賃股份有限公司), Changjiang Leasing Co., Ltd. (長江租賃有限公司) and Guoxin Leasing Co., Ltd. (國信租賃有限公司).

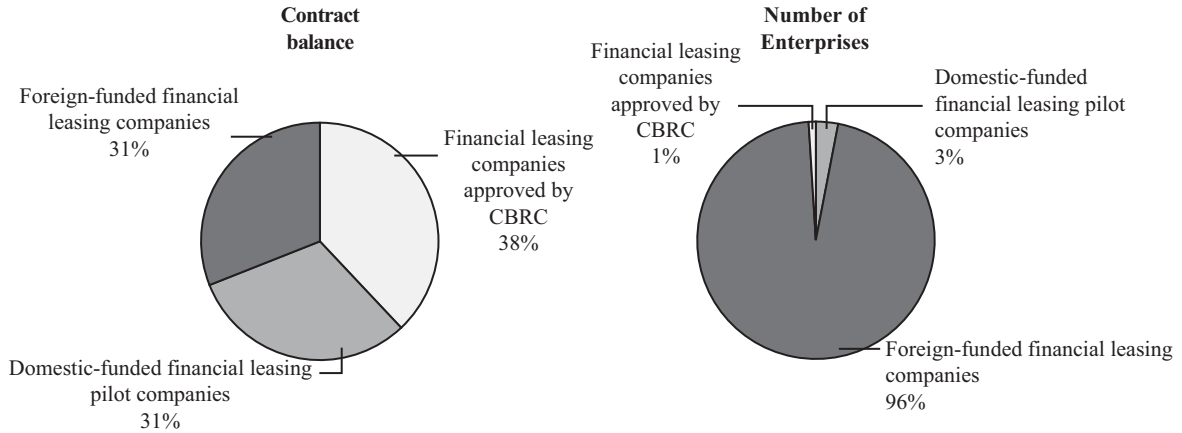
- **Financial leasing companies approved by CBRC.** Financial leasing companies approved by CBRC are generally established by domestic and foreign commercial banks, large domestic manufacturing enterprises, foreign financial leasing companies and other institutions recognized by the CBRC. With strong shareholder background, solid financial position and higher license qualifications, such companies are among the major participants

in the PRC financial leasing industry. As of the end of 2017, there were 69 financial leasing companies approved by CBRC and the total balance of their financial lease contracts amounted to approximately RMB2,280.0 billion. The key players in this category include China Development Bank Financial Leasing Co., Ltd. (國銀金融租賃有限公司), ICBC Financial Leasing Co., Ltd. (工銀金融租賃有限公司) and Minsheng Financial Leasing Co., Ltd. (民生金融租賃股份有限公司).

Foreign-funded financial leasing companies have several distinctive advantages over domestic-funded financial leasing pilot companies. Firstly, foreign-funded financial leasing companies are subject to less supervision and restrictions on permissible business scope. For example, under the current regulatory regime, foreign-funded financial companies are allowed to engage in factoring business. Secondly, a foreign-funded financial leasing company is allowed to conduct overseas debt financing since it is granted with external debt quota, and the proceeds from such overseas financing can be used to finance its domestic businesses. In addition, foreign-funded financial leasing companies are subject to a lower entry barrier with fewer limitations on business licenses. Pursuant to the PRC laws, the minimum registered capital for domestic-funded financial leasing pilot companies is RMB170 million, while no such minimum registered capital requirement is imposed on foreign-funded financial leasing companies.

In recent years, with rapid growth in quantity and business scale, foreign-funded financial leasing companies have become increasingly pivotal to the development of the PRC leasing industry. From 2012 to 2017, the number of foreign-funded financial leasing companies and their contract balance grew at CAGRs of 74.3% and 40.3%, respectively. On the other hand, due to the restrictions on licensing and other regulatory limitations, the number of financial leasing companies approved by CBRC and domestic-funded financial leasing pilot companies approved by the MOFCOM grew at a CAGR of 28.1% and 28.4%, respectively, and their contractual balance grew at CAGRs of 28.1% and 28.3%, respectively.

The following charts show the contract balance and number of domestic-funded financial leasing pilot companies, foreign-funded financial leasing companies and financial leasing companies approved by CBRC as of December 31, 2016:



On May 8, 2018, the MOFCOM issued the Notice on Matters Related to the Adjustment of the Regulatory Regime of Financial Lease Companies, Commercial Factoring Companies, and Pawnshops (《關於融資租賃公司、商業保理公司和典當行管理職責調整有關事宜的通知》), announcing that the regulatory regime of financial leasing industry, commercial factoring industry and pawn industry has been transferred from MOFCOM to CBIRC. CBIRC has undertaken the role of establishing the operational

rules and regulations of financial leasing, commercial factoring and the pawn industry since April 20, 2018. For more details about the notice and the regulatory risks and uncertainties faced by financial leasing companies, please see "Risk Factors – Any changes in relevant laws, regulations and regulatory requirements could adversely affect our business operation and prospects" and "Regulatory Environment – "Major Regulatory Authorities."

Based on the difference of shareholding background, financial leasing companies can be categorized into the following types:

- **Securities firm-affiliated financial leasing companies.** A securities firm-affiliated financial leasing company refers to a financial leasing subsidiary of a securities firm. We became the first securities firm-affiliated financial leasing company in China after Haitong Securities acquired all the equity interests in UniTrust Finance & Leasing Corporation, our predecessor, in 2014. A securities firm-affiliated financial leasing company is able to provide, together with its parent company, diversified financial services to customers at different development stages and in various industries by capitalizing on the comprehensive financial product lines of its parent company. Apart from us, other key players in this category include Everbright Fortune International Leasing Co., Ltd. (光大幸福國際租賃有限公司) and Guotai Junan Leasing (Shanghai) Co., Ltd. (國泰君安融資租賃（上海）有限公司).

- **Bank-affiliated financial leasing companies.** A bank-affiliated financial leasing company refers to a financial leasing company established or owned by a bank. Lower financing cost brought by its banking background is a key advantage for a bank-affiliated financial leasing company. Key players in this category include China Development Bank Financial Leasing Co., Ltd. (國銀金融租賃股份有限公司), ICBC Financial Leasing Co., Ltd. (工銀金融租賃有限公司), CCB Financial Leasing Co., Ltd. (建信金融租賃有限公司) and Industrial Bank Financial Leasing Co., Ltd. (興業金融租賃有限公司).

- **Manufacturer-affiliated financial leasing companies.** A manufacturer-affiliated financial leasing company refers to a financial leasing company established by an equipment manufacturer with an initial objective to support the product sales of its parent company. By utilizing the mature marketing network of its parent company, a manufacturer-affiliated financial leasing company usually has relatively strong expertise in certain industries and a loyal customer base. Key players in this category include AVIC International Leasing Co., Ltd. (中航國際租賃有限公司) and Zoomlion Finance and Leasing (Beijing) Co., Ltd. (中聯重科融資租賃（北京）有限公司).

- **Other financial leasing companies.** Other financial leasing companies refer to financial leasing companies other than the above three types.

Customer Base of Financial Leasing Companies

Based on their scale, the customers of a financial leasing company can be classified into the following four categories: (i) government agencies, (ii) large enterprises, (iii) micro-, small- and medium-sized enterprises, and (iv) individuals.

- **Government agencies.** The PRC government has huge financing needs for infrastructure construction, and the output value of PRC financial leasing industry in the past decade was mainly driven by financing needs of government agencies for infrastructure construction. From 2012 to 2017, China's total infrastructure investments amounted to RMB73.9 trillion,

ranking the top in the world. According to the "13th Five-Year" Plan, the PRC government will continue to focus on infrastructure construction in order to promote the growth of China's real economy.

- **Large enterprises.** Large enterprises normally consist of large SOEs and listed companies. Such customers principally operate in traditional industries which have demand for large equipment, including infrastructure, mechanical engineering, aviation and shipping, as well as clean energy, smart city and other emerging industries. In general, large enterprises have stronger financial position and better-established risk control systems.

- **Micro-, small- and medium-sized enterprises.** Micro-, small- and medium-sized enterprises mainly include medium-sized enterprises, small-sized enterprises, micro-sized enterprises, family-owned workshops and individual business owners. As micro-, small- and medium-sized enterprises have significant financing needs, bank loans are unable to satisfy their needs due to the stringent credit approval standards on micro-, small- and medium-sized enterprises applied by banks. In contrast, the approval procedures for financial leasing services are more efficient and the product portfolios are more flexible. Therefore, financial leasing is becoming an important financing channel for small- and micro-sized enterprises.

- **Individuals.** Currently, the financing market for personal consumption is growing with enormous potential. Although individual financing needs are currently concentrated on automobiles and real estates, it is expected that consumption needs for other purposes will experience significant growth. Financial leasing for retail customers has features of small contract amount, diversified risks and high profitability.

The following table sets forth the market size of PRC financial leasing industry in terms of balance of finance lease contracts by customer type:

	2012	2013	2014	2015	2016	2017	2018E	2019E	2020E	2021E	2022E
	(RMB in billion)										
Government agencies	469.7	625.8	790.4	1,003.4	1,151.3	1,260.5	1,351.4	1.467.6	1,568.7	1,677.8	1,839.9
Enterprises[1]	1,058.2	1,447.1	2,359.7	3,357.3	4,073.3	4,678.3	5,371.3	6,102.2	6,915.9	7,806.9	8,734.1
Individuals	22.1	27.1	49.9	79.3	105.4	121.2	137.2	154.5	182.0	213.3	248.9

(1) Consists of large enterprises and micro-, small- and medium-sized enterprises.

Source: National Bureau of Statistics of the PRC, Frost & Sullivan

Geographical Distribution

In terms of geographical distribution, financial leasing companies are mainly located in economically-developed coastal regions. In particular, as compared to other regions, the financial leasing penetration rates in Shanghai, Guangdong and Tianjin are significantly higher than those of other regions.

The table below sets forth the details of the financial leasing penetration rates for different regions in China from 2015 to 2017:

Top 10 regions by financial leasing penetration rate from 2015 to 2017

Region	2015	2016	2017
Tianjin	23.0%	24.5%	25.9%
Shanghai	21.7%	23.7%	25.2%
Guangdong	14.4%	15.9%	17.4%
Beijing	11.0%	12.0%	13.6%
Jiangsu	5.3%	6.9%	8.1%
Fujian	3.7%	5.0%	6.6%
Zhejiang	4.5%	4.3%	5.4%
Liaoning	4.0%	4.3%	4.9%
Shandong	3.2%	3.4%	4.8%
Anhui	2.7%	3.0%	3.4%

Source: MOFCOM, Frost & Sullivan

Our Market Position

According to Frost & Sullivan, in terms of revenue in 2017 and total assets as of December 31, 2017, we ranked third among 8,745 foreign-funded financial leasing companies in China. According to the same source, in terms of revenue in 2017, we ranked 12th among all the financial leasing companies in China, with a market share of 1.2%.

The following table sets forth the details of the top five foreign-funded financial leasing companies in terms of operating revenue in 2017:

	As of December 31, 2017 / for the year ended December 31, 2017		
Company name	Revenue	Total assets	Registered capital
	(RMB in billions)		
Company A	17.3	219.8	11.9
Company B	6.5	146.1	9.3
The Group[1]	**4.0**	**60.7**	**7.0**
Company C	2.8	37.3	5.2
Company D	2.1	34.6	6.0

Source: Data from the Company and State Administration for Industry and Commerce for financial leasing companies other than us

(1) Our operating revenue and total assets are data prepared in accordance with IFRS.

We are the first securities firm-affiliated financial leasing company in China and have a leading position among financial leasing companies of the same category. As of December 31, 2017, there were four securities firm-affiliated financial leasing companies operating in the PRC, namely our Company, Everbright Fortune International Leasing Co., Ltd. (光大幸福國際租賃有限公司) , Guotai Junan Financial Leasing (Shanghai) Co., Ltd. (國泰君安融資租賃（上海）有限公司), and CITIC Global Financial Leasing Co., Ltd. (中證寰球融資租賃股份有限公司). In terms of total assets as of December 31, 2017 and revenue in 2017, our Company ranked No.1 among all securities firm-affiliated financial leasing companies, outperforming other securities firm-affiliated financial leasing companies in terms of both scale and growth.

Development Trend of the PRC Financial Leasing Market

Transformation of Traditional Industries and Development of Emerging Industries

The transformation and upgrade of traditional industries and development of emerging industries have fostered the financing needs in relation to equipment and technology, which brings opportunities to the financial leasing industry. In 2015, the State Council promulgated the plan of "Made in China 2025." This plan specifies the blue print of China's manufacturing industry in the next decade and puts great emphasis on smart manufacturing. Emerging industries including the new generation of information technology (such as big data and cloud computing), smart city, aerospace equipment, advanced rail transportation equipment, energy conservation and environmental protection, and clean energy mentioned in the plan will bring enormous business opportunities for the financial leasing industry.

Specialization and Differentiation of Business Model

In the context of interest rate liberalization and intensifying market competition, the traditional business model depending solely on interest spread for PRC financial leasing companies is no longer sustainable. A few pioneers in the industry with awareness of the market changes have started to transform their business model in order to provide specialized and differentiated financial services based on customer demands. Financial leasing companies in foreign developed markets usually focus on the upstream and downstream industry chains related to their target lease assets in order to provide a full range of high value-added services which cover the entire industry chain, including the design, ancillary services and disposal of leasing assets. This will be an important direction for the future development of the PRC financial leasing industry.

Expansion of PPP Projects

PPP projects present a new path of business development for financial leasing companies. The PPP model benefits both the public and private sectors as it reduces the financial burden on government agencies and broadens the investment scope of private investors. As of the end of 2017, a total of 14,424 PPP projects with an aggregate investment of RMB18.2 trillion were recorded in the PPP project library of MOF, covering various fields including energy, transportation, water conservation, environmental protection, agriculture and infrastructure construction. Along with the advancement of urbanization and the development of PPP model, the PPP-related business is expected to continue growing in the future. Financial leasing companies can expand their revenue sources and diversify their asset portfolio by participating in PPP projects. Currently, financial leasing companies mainly participate in PPP projects by means of financial leasing, factoring and direct investments in the PPP project vehicles.

Development of Small- and Micro-sized Enterprises and Retail Business

In China, there is a huge market for financial leasing for small and micro enterprises driven by such customers' significant financing needs. The outstanding loans extended to small- and micro-sized enterprises by PRC financial institutions grew from RMB11.2 trillion in 2012 to RMB20.8 trillion in 2016, representing a CAGR of 16.9%. The percentage of the loans extended to small and micro enterprises in the outstanding loans to all types of enterprises grew from 28.4% in 2012 to 30.9% in 2016. During the same period, the CAGR of the outstanding loans extended to large- and medium-sized enterprises were 14.2% and 12.8%, respectively.

Business owners' financing needs have been rising steadily in recent years, creating huge growth potential for financial leasing business. As of the end of 2017, the personal operation loans of PRC residents amounted to RMB8,985.4 billion, representing a CAGR of 9.6% from 2012 to 2017. In addition, fostered by the increasing consumption demand of individuals and changes in the consumer behavior, the leasing market for personal consumption has developed rapidly in recent years. Satisfying individual consumption demands and developing consumption financing platform represent an important development trend for financial leasing companies.

Internet-based Business Model

In the era of "Internet+," Internet-based operations of financial leasing businesses have become a new focus. The development in Internet-based operations includes: (i) business sourcing through Internet platforms, such as allowing client to apply for financial leasing; (ii) online credit approval procedures, such as integrating Internet user behavior data in the rating model to build standardized approval process based on big data, so as to improve the approval efficiency and effectiveness of risk control; and (iii) online post-lease management, such as collecting consumer behavior data with information technology tools to monitor changes in the customers' credit status in order to enhance asset management efficiency.

Diversified Financing Channels

Currently, PRC financial leasing companies mainly obtain financing through indirect channels, such as bank loans. Bank loans are the predominant financing source for financial leasing companies. However, following the relaxation of policy and with the overall development of the financial leasing industry, the financing channels of PRC financial leasing companies are expected to be more diversified. The scale and proportion of direct financing channels, including overseas listing, bond offering, asset securitization and other debt financing instruments will continue to increase. In particular, as asset-backed securities have many advantages, such as less requirement for issuance, flexible use of proceeds and a relatively longer maturity, PRC financial leasing companies have increasingly raised funds by issuing asset-backed securities in recent years. In 2015, 2016 and 2017, PRC financial leasing companies completed 62, 118 and 103 asset-backed securities transactions, respectively, with an aggregate principal amount of RMB57.8 billion, RMB116.7 billion and RMB146.3 billion. The issue size of asset-backed securities by PRC financial leasing companies is expected to increase in the future.

Industry Concentration

Compared with the financial leasing industry in developed countries, the market concentration of the PRC financial leasing industry is relatively low. According to Frost & Sullivan, as of December 31, 2015, the top ten PRC financial leasing companies accounted for a total market share of 17.4% in terms of net assets. According to Monitor Daily, the top ten equipment-related financial leasing companies in the United States represent a market share of 70.1% in terms of net assets. It is expected that the PRC leasing industry will enter the phase of consolidation in the future. Certain leading financial leasing companies will further strengthen their competitive edge and speed up their growth by pursuing expansion through cooperation or mergers and acquisitions.

Overview of Major Customers Segments

Transportation & Logistics

The PRC passenger vehicle market has developed rapidly along with the PRC economic growth and the increase of both personal income and purchasing power. From 2012 to 2017, the production output of passenger vehicles in China increased from approximately 15.5 million units to approximately 24.8 million units, representing a CAGR of 9.8%. It is expected that the continuous increase in personal income will result in higher demand for replacement and purchase of vehicles. In addition, as the focus of urbanization further moves forward to the central and western China regions, the PRC passenger vehicle market demand will continue to expand. According to Frost & Sullivan, it is expected that the production output of passenger vehicles in China will maintain its growth at a CAGR of 6.9% from 2017 to 2022 and will achieve approximately 34.7 million units in 2022. Meanwhile, benefiting from the increasingly stable and promising economic growth and promotion of new-type urbanization, market demand for commercial vehicles in China will continue to increase as well. Under the policy of "Green Economy," the purchase cost of oil-fuelled vehicles has increased as a result of tightened restrictions on carbon emission. This has created huge potential for new energy-fuelled commercial vehicles which are expected to drive the overall transformation of the commercial vehicle market. According to Frost & Sullivan, it is expected that the production output of commercial vehicles will keep growing at a CAGR of 3.5% from 2017 to 2022 and achieve approximately 5.0 million units in 2022.

Economic development, launch of new-type urbanization process and changes in consumption patterns have brought strong demand for passenger and cargo transportation, as well as increases in fixed asset investment in transportation, warehousing and postal services sectors. From 2012 to 2017, fixed asset investment in transportation, warehousing and postal services sectors increased from RMB3,088.1 billion to RMB6,118.6 billion, representing a CAGR of 14.7%. According to Frost & Sullivan, it is expected that fixed asset investment in transportation, warehousing and postal services sectors will continue to grow at a CAGR of 7.7% from 2017 to 2022 and increase to RMB8,870.9 billion in 2022.

The increasing demand for transportation equipment and the improvement on transportation and logistics infrastructure have promoted the development of PRC financial leasing business in transportation & logistics industry. In 2017, the transaction volume of financial leasing in aspects of China's transportation & logistics industry amounted to RMB501.7 billion. According to Frost & Sullivan, it is expected that the transaction volume of financial leasing in transportation & logistics industry in China will maintain its growth at a CAGR of 10.9% from 2017 to 2022 and increase to RMB842.7 billion in 2022.

Manufacturing

China is the largest manufacturer in the world, and the PRC manufacturing industry successfully sustained its growth fostered by the development of real economy and supportive government policies. From 2012 to 2017, the PRC fixed assets investment for equipment and tools increased from RMB7,593.8 billion to RMB11,405.8 billion, representing a CAGR of 8.5%. According to Frost & Sullivan, it is expected that the PRC fixed asset investment for equipment and tools will maintain its growth at a CAGR of 3.5% from 2017 to 2022 and increase to RMB13,520.0 billion in 2022.

Pursuant to the "Industry 4.0" and "Made in China 2025" initiatives, the manufacturing industry is in the progress of transformation to achieve higher level of automation and intelligence.

Replacement and upgrades of industrial equipment will bring huge demand for financial leasing market. According to Frost & Sullivan, in 2017, the financial leasing transaction volume in manufacturing sector was RMB1,301.6 billion. According to Frost & Sullivan, it is expected that the transaction volume of financial leasing in the industrials will continue to grow at a CAGR of 8.1% from 2017 to 2022 and increase to RMB1,919.1 billion in 2022.

Infrastructure

Infrastructure investment is one of the key drivers of China's economic growth. China's total infrastructure investment between 2012 and 2017 amounted to RMB73.9 trillion, ranking the highest in the world. From 2012 to 2017, China's infrastructure investment increased from RMB7,717.2 billion to RMB17,308.5 billion, representing a CAGR of 17.5%. The launch of neo-urbanization and the promotion of the Belt and Road initiatives have brought a huge influx of infrastructure investment opportunities. According to Frost & Sullivan, it is expected that China's infrastructure investment will grow to RMB30,661.1 billion in 2022, representing a CAGR of 12.1% from 2017 to 2022.

The continuous growth of China's infrastructure investment has directly driven the development of financial leasing business in this field. According to Frost & Sullivan, the transaction volume of financial leasing in the infrastructure industry was RMB1,059.4 billion in 2017 and is expected to further grow to RMB2,884.6 billion in 2022, representing a CAGR of 22.2% from 2017 to 2022.

Construction & Real Estate

The increase in PRC fixed asset investment has directly promoted the growth of construction industry in China. From 2012 to 2017, the output value of the PRC construction industry increased from RMB1,372.2 billion to RMB2,139.5 billion, representing a CAGR of 9.3%. According to the objective outlined in the "13th Five-Year" Plan, the PRC urbanization rate is expected to reach approximately 60% in 2020. This will generate significant demand for investment in urban infrastructure, public service facilities and residential buildings. The construction & real estate industries are expected to continue to grow.

From 2012 to 2017, the amount of real estate investment in the PRC increased from RMB7,180.4 billion to RMB10,979.9 billion, representing a CAGR of 8.9%. In 2017, the financial leasing transaction volume in the real estate industry was RMB384.3 billion. The PRC real estate industry is expected to continue to grow in the next five years. According to Frost & Sullivan, the amount of real estate investment in the PRC will be growing at a CAGR of 5.1% from 2017 to 2022.

Driven by steady increases in the output value of the PRC construction industry and real estate investment, the construction & real estate industries have fostering financing demand, which stimulates the continuous growth of financial leasing business in connection with the construction & real estate industries. In 2017, the financial leasing transaction volume in the construction industry was RMB511.4 billion. Currently, financial leasing for the real estate industry primarily focuses on commercial properties rather than residential properties. With the increasingly sophisticated application of financial leasing in the commercial property industry, it is expected that financial leasing will be extensively used throughout the entire real estate industry in the future. According to Frost & Sullivan, it is expected that financial leasing transaction volume in the construction & real estate industries will maintain its growth at a CAGR of 8.9% from 2017 to 2022 and increase to RMB817.2 billion in 2022.

Health Care

From 2012 to 2017, the total amount of PRC health care expenditure increased from RMB2,811.9 billion to RMB5,159.9 billion, representing a CAGR of 12.9%. However, as compared to those of developed countries, the PRC health care industry still remains underdeveloped. In 2016, per capita health care expenditure in China was RMB3,425, ranking ninth among the top ten countries in the world in terms of GDP. With the continuous economic growth, increasing per capita disposable income and escalating aging population issues, it is expected that total health care expenditure in China will continually increase. According to Frost & Sullivan, it is expected that total health care expenditure in China will maintain its growth at a CAGR of 11.2% from 2017 to 2022.

As driven by the overall development of the PRC health care industry, there is a growing demand of health care institutions for acquisition and upgrading of equipment. In such circumstances, the PRC financial leasing market related to medical equipment has been growing rapidly. In 2017, the financial leasing transaction volume in the PRC health care industry was RMB198.1 billion. According to Frost & Sullivan, it is expected that the transaction volume will maintain its growth at a CAGR of 15.2% from 2017 to 2022 and increase to RMB401.1 billion in 2022.

Education

In China, both residents' spending on education and public annual expenditure on education have been increasing over recent years. From 2012 to 2017, per capita annual education spending of PRC urban residents increased from RMB820 to RMB1,137, representing a CAGR of 6.8%, and the PRC public annual expenditure on education increased from RMB1,639.4 billion to RMB3,025.9 billion, representing a CAGR of 13.0%. With the increasing disposable income and rising awareness on education of PRC residents, it is expected that their spending on education will continue to increase. Meanwhile, given the higher requirements on talent quality as a result of continuous economic growth and industrial structural reform in China, increasing public expenditure on education can be expected as well. According to Frost & Sullivan, it is expected that per capita spending on education of the PRC urban residents and public expenditure on education in the PRC will continue to grow at CAGRs of 7.2% and 8.1%, respectively, from 2017 to 2022.

The construction of facilities of education institutions, purchase of teaching and scientific research equipment and the commercialization of scientific research of higher education institutions have driven the growth of financial leasing for education-related equipment. According to Frost & Sullivan, the transaction volume of financial leasing in PRC education industry was RMB7,410 million in 2017 and is expected to maintain its growth at a CAGR of 13.8% from 2017 to 2022 and achieve RMB14,170 million in 2022.

OVERVIEW OF THE PRC AIRCRAFT LEASING INDUSTRY

China's economic growth and the rising household income have led to increasing need for air transportation, creating a growing demand for new aircraft. According to Frost & Sullivan, the number of the China's aircraft leasing fleet grew from 1,119 to 2,063 from 2012 to 2017, representing a CAGR of 13.0%. This number is expected to continue to grow at a CAGR of 11.4% from 2017 to 2022, reaching 3,536 in 2022, driven by the expanding affluent middle class, the fast-growing E-commerce and logistic sector, as well as PRC government's initiative to establish a nationwide integrated transportation system.

The following table sets forth the historical and projected number of China's leased aircraft fleet and growth rate from 2012 to 2022:

	2012	2013	2014	2015	2016	2017	2018E	2019E	2020E	2021E	2022E
China's leased aircraft fleet (unit)	1,119	1,202	1,305	1,481	1,646	2,063	2,471	2,835	3,124	3,368	3,536
Growth rate	–	7.4%	8.6%	13.5%	11.1%	25.3%	19.8%	14.7%	10.2%	7.8%	5.0%

Source: Frost & Sullivan

Aircraft can be leased by means of operating or finance lease. In an aircraft operating lease, the risks and rewards of ownership remain with the lessor, while the lessee or airline operator pays rent for the benefit of operating the aircraft over an agreed fixed term. Operating leases can satisfy the diversified needs of funding for airlines in different stages of development. For more mature airlines or airlines of high credit quality, operating leases provide competitive cost structure, flexibility in capacity management and the mitigation of residual value risk.

OVERVIEW OF THE PRC FACTORING MARKET

In China, the large and increasing balance of accounts receivable has driven up the growth of factoring business directly. From 2012 to 2015, the total turnover of PRC factoring business (including bank factoring and commercial factoring) increased from RMB2,787.9 billion to RMB3,616.5 billion, representing a CAGR of 9.1%.

Currently, factoring services provided by commercial banks accounted for over 80% of the factoring business in China. In recent years, with the implementation of supportive policies, commercial factoring has experienced a significant growth and its market share has expanded continuously. From 2012 to 2015, the total turnover of PRC commercial factoring business increased from RMB453.9 billion to RMB521.3 billion, representing a CAGR of 4.7%, and the number of commercial factoring service providers increased from 84 to 2,514. Pursuant to the MOFCOM Circular on Issues Related to Commercial Factoring Pilot Projects (《商務部關於商業保理試點有關工作的通知》) released in June 2012, local governments have introduced favorable policies for commercial factoring enterprises, such as taxation allowance. With the supportive government policies since 2012, 34 listed companies have entered into the commercial factoring market. As of December 31, 2017, there were 8,261 enterprises engaging in the commercial factoring business in China.

OUR HISTORY AND DEVELOPMENT

Overview of Our History

The history of our Company can be traced back to July 2004 when it was established as a foreign-invested enterprise under the name of Matsuyama Nissin Investment Consulting (Shanghai) Co., Ltd. by Japan's NIS Group Co., Ltd., and later renamed to Matsuyama Nissin Investment & Consulting (Shanghai) Co., Ltd. in December 2004. In August 2005, the Company obtained the approval issued by the MOFCOM to conduct financial leasing business. In 2005, the Company was renamed to Matsuyama Nissin Leasing (Shanghai) Co., Ltd. In 2006, the Company was renamed to Nissin Leasing (China) Co., Ltd.. In 2009, the Company further changed its name from Nissin Leasing (China) Co., Ltd. to UniTrust Finance & Leasing Corporation and then to Haitong UniTrust International Leasing Corporation in 2014.

Before the acquisition by Haitong Securities, the Company was indirectly owned by TPG Global, LLC, a global leading private equity investment company and an Independent Third Party. In September 2013, in order to expand its business to the field of financial leasing, Haitong Securities, through its wholly-owned subsidiary, Haitong International Holdings, entered into a share purchase and sale agreement with UT Capital Holdings Co., Ltd., a wholly-owned subsidiary of TPG Global, LLC to acquire the entire equity interest in Haitong UT Capital (formerly known as UT Capital Group Co., Ltd.), and hence indirectly acquired the entire equity interest of our Company, at a consideration of US$715 million. The consideration was determined after arm's length negotiation, with reference to the consolidated unaudited net asset value of Haitong UT Capital and its subsidiaries. The acquisition was duly completed in January 2014 and Haitong Securities became our ultimate controlling shareholder. In September 2014, Haitong UT Capital (formerly known as UT Capital Group Co., Ltd.) completed the capital injection of US$320.5 million to our Company, upon which, the registered capital of our Company increased from US$202.5 million to US$523 million. In December 2016, Haitong Capital Investment, a wholly-owned subsidiary of Haitong Securities, completed the capital injection to our Company, upon which, the registered capital of our Company increased from US$523 million to US$803 million, of which, Haitong Capital Investment holds 34.9% interest in us and Haitong UT Capital holds the remaining 65.1% interest.

In preparation for the **[REDACTED]**, in May 2017, our Company was converted into a joint stock limited company (the "Conversion") and renamed to Haitong UniTrust International Leasing Co., Ltd.. Upon completion of the Conversion, our registered capital increased to RMB7 billion. Our PRC legal advisor has confirmed that the Company has obtained the necessary approvals for the Conversion from relevant authorities in the PRC and that the Conversion complied with relevant laws and regulations of the PRC.

Key Corporate and Business Development Milestones

Since establishment, we have grown into a large financial leasing company. Set out below is a list of key milestones in the corporate and business development of our Group.

2004
- Our predecessor, Matsuyama Nissin Investment Consulting (Shanghai) Co., Ltd. was established.

2005
- The Company obtained approval from the MOFCOM to start the operation of the financial leasing business.

2010	• The Company was awarded the "The Most Influencial Financial Leasing Company in China" by the China Leasing Business Association of China Association of Enterprises with Foreign Investment ("CAEFI") during its annual meeting.
2012	• The Company was awarded the "China Financial Leasing Company of the Year" by the China Leasing Business Association of CAEFI during its annual meeting.
2013	• The Company was awarded the "China Financial Leasing Company of the Year" by the China Leasing Business Association of CAEFI during its annual meeting.
	• The Company was awarded "2013 Gold Medal of Financial Institutions in the PRC – Best Financial Leasing Company of the Year" by the Institute of Finance and Banking of the Chinese Academy of Social Sciences.
2014	• Haitong Securities indirectly acquired the entire equity interest of our Company from TPG Global, LLC.
	• In September, Haitong UT Capital (formerly known as UT Capital Group Co., Ltd.) completed the capital injection of US$320.5 million to the Company. The registered capital of the Company increased from US$202.5 million to US$523 million.
	• In December, the Company was awarded the "China Financial Leasing Company of the Year" by the China Leasing Business Association of CAEFI during its annual meeting.
2015	• Shanghai Brilliance raised the Company's "AA" credit rating to "AA+" with a stable outlook.
	• In May, the Company successfully set up an asset-backed securitisation program and issued asset-backed securities with a total principal amount of RMB1,362 million.
	• In June, the Company successfully set up a US$80 million syndicated financing facility from a group of Taiwanese banks.
	• In August, the Company successfully set up a RMB2.1 billion syndicated financing facility, the first syndicated financing for the financial leasing industry in the Shanghai Free Trade Zone.
	• In December, the Company successfully established a RMB7.2 billion syndicated financing facility.
2016	• In April, the Company issued asset-backed securities with a total principal amount of RMB1,200 million.
	• In December, Haitong Capital Investment completed the capital injection to the Company. The registered capital of the Company increased from US$523 million to US$803 million.
2017	• In April, Shanghai Brilliance raised the Company's "AA+" credit rating to "AAA."
	• In August, the Company established its first overseas syndicated loan for aircraft, which supported the development of the Company's aircraft leasing business overseas.

- During the year, the Company completed the registration and issuance of, among others, the first tranche of asset-backed notes, private placement notes, corporate bonds, short-term commercial papers and ultra-short-term commercial papers, which diversified the debt financing tools of the Company.

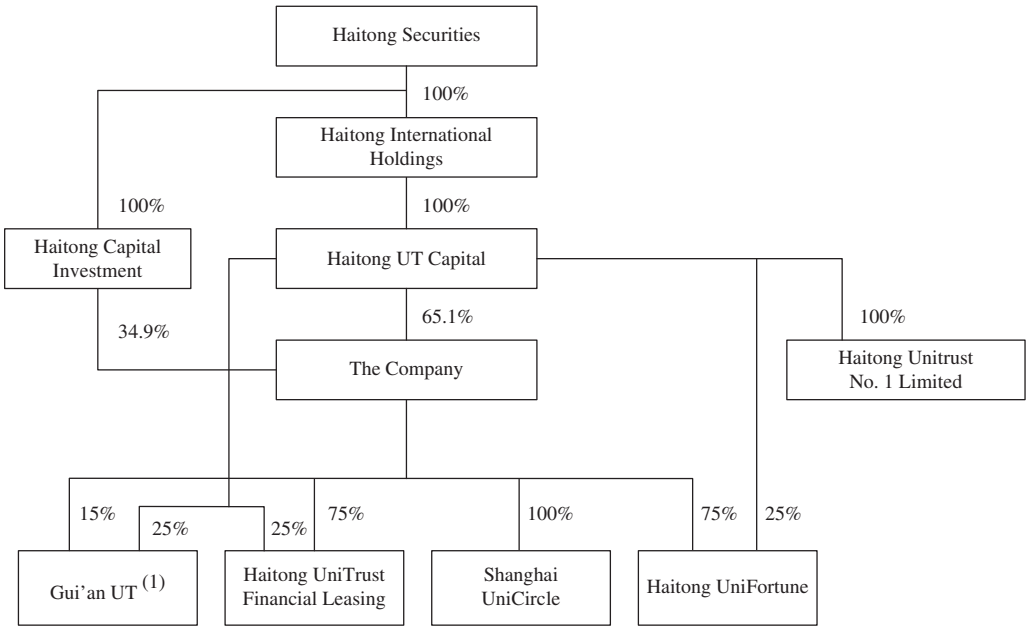
2018

- In June, the Company was granted a credit rating of "AAA" (stable outlook) by Shanghai Brilliance.
- In July, the Company issued the first batch of asset-backed securities (Bond Connect) in China.
- In August, the proposed issuance of asset-backed securities with a total amount not exceeding RMB5 billion under the special small scale asset-backed securities plan of the Company obtained the approval from the Shanghai Stock Exchange.
- In December, Haitong UT HK 9 Limited and Haitong UT HK 10 Limited successfully set up a US$3,800 million aircraft asset-backed syndicated financing facility.

REORGANIZATION

Group Structure Immediately Prior to the Reorganization

Immediately before the Reorganization, our shareholding structure is as follow:



(1) The remaining 60% of the equity interest in Gui'an UT was held by Gui'an Financial, an Independent Third Party.

Reorganization

In preparation for the **[REDACTED]**, we underwent a series of corporate reorganization transactions to delineate the businesses between the Group and Haitong Securities Group.

(1) Incorporation of Haitong UT Leasing HK

On April 25, 2017, the Company incorporated Haitong UT Leasing HK in Hong Kong as its wholly-owned subsidiary.

(2) Acquisition of Equity Interest of Haitong Unitrust No. 1 Limited

On June 13, 2017, Haitong UT Leasing HK acquired the entire equity interest in Haitong Unitrust No. 1 Limited from Haitong UT Capital at a consideration of approximately US$0.67 million, which was determined with reference to its net asset value and was paid on June 29, 2017.

(3) Acquisition of Haitong UT Capital's Equity Interests in Gui'an UT, Haitong UniTrust Financial Leasing and Haitong UniFortune

On June 8, 2017, the Company entered into an agreement with Haitong UT Capital to acquire the following equity interests from Haitong UT Capital:

(i) 25% of the equity interest in Gui'an UT;

(ii) 25% of the equity interest in Haitong UniTrust Financial Leasing; and

(iii) 25% of the equity interest in Haitong UniFortune.

The Company agreed to acquire 25% equity interest in each of Gui'an UT, Haitong UniTrust Financial Leasing and Haitong UniFortune from Haitong UT Capital (or other entities to be established as transferees of such equity interests), through a subsidiary of the Company established outside China, at a consideration determined on the basis of the then applicable latest audited net assets of the three companies, within 30 days when such subsidiary is permitted under the applicable law to take up directly or indirectly the equity interests in Gui'an UT, Haitong UniTrust Financial Leasing and Haitong UniFortune and has the capacity to become a direct or indirect shareholder. Both parties shall execute documents necessary for the transfer of the equity interests and register the transfer of equity interests, and the parties shall perform their respective obligations.

According to the agreement, during the period commencing on the effective date of the agreement until the execution of the documents for the transfer of equity interests between Haitong UT Capital and the Company or a third party designated by the Company and the completion of the filing/ approval/ registration procedures of the transfer, or such time as determined by both parties (the "Entrustment Period"), the Company shall exercise, on behalf of Haitong UT Capital, all shareholder's rights other than the rights to sell and to receive income (including cash dividend and stock dividend), including but not limited to the rights to decide and to vote and other shareholder's rights of such equity interests (the "Entrustment Arrangement"). Haitong UT Capital shall not exercise shareholder rights in respect of the above equity interests save for the rights of disposal and income rights during the Entrustment Period. Haitong UT Capital shall receive dividends (i.e. right to obtain proceeds) of the above equity interests during the Entrustment Period. The Company will not receive any entrustment fees from Haitong UT Capital.

On June 14, 2017, Haitong UT Capital incorporated Haitong UT Holding Limited in Hong Kong as its wholly-owned subsidiary.

On October 23, 2017, Haitong UT Capital entered into agreements with Haitong UT Holding Limited, and the Company, to transfer its 25% equity interest in each of Haitong UniTrust Financial

Leasing and Haitong UniFortune to Haitong UT Holding Limited, at a consideration of approximately RMB361.9 million and RMB64.2 million (or equivalent USD or HKD), respectively. On November 20, 2017, Haitong UT Capital further entered into an agreement with Haitong UT Holding Limited, Gui'an Financial, and the Company, to transfer its 25% equity interest in Gui'an UT to Haitong UT Holding Limited at a consideration of approximately RMB378.5 million (or equivalent USD or HKD). Pursuant to these agreements, Haitong UT Holding Limited agreed to comply with the Entrustment Arrangement and Haitong UT Capital further agreed to subsequently transfer 100% equity interest of Haitong UT Holding Limited to the Group at a consideration determined on the basis of the then applicable latest unaudited net asset value of Haitong UT Holding Limited. The Company expects to settle the consideration in cash. On November 15, 2017, January 19, 2018 and June 15, 2018, 25% equity interests in each of Haitong UniFortune, Haitong UniTrust Financial Leasing and Gui'an UT were transferred by Haitong UT Capital to Haitong UT Holding Limited.

The main scope of business of Gui'an UT includes financial leasing, leasing, purchase of leased properties onshore and offshore, processing and maintenance of the residual value of leasing properties, and consultation and guarantee of leasing transactions. Gui'an UT was established in November 2016. As at the Latest Practicable Date, the Company, Haitong UT Holding Limited and Gui'an Financial held 15%, 25% and 60% equity interests in Gui'an UT, respectively. Gui'an Financial and its ultimate beneficial owners are Independent Third Parties. As of December 31, 2018, the total assets of Gui'an UT are approximately RMB3.4 billion. The total revenue and profit of Gui'an UT for the financial year ended December 31, 2018 was approximately RMB250.1 million and RMB90.6 million, respectively.

See "– Our Subsidiaries" for details of Haitong UniTrust Financial Leasing and Haitong UniFortune.

Upon completion of the acquisitions, the Company will hold 40% of the equity interest of Gui'an UT and 100% of the equity interests of Haitong Unitrust Financial Leasing and Haitong UniFortune and, thus, Haitong UT Capital will no longer hold equity interest in the subsidiaries of the Company. The acquisitions will serve to clearly delineate the businesses between the Group and Haitong Securities Group, streamline the corporate structure and reduce potential competition and connected transactions. Our Directors (including the independent non-executive Directors) are of the view that the terms of the agreement are fair and reasonable, the acquisitions are in the interests of the Company and Shareholders as a whole.

Our PRC legal advisor has confirmed that the terms and entrustment arrangement of the above agreements comply with the current relevant PRC laws and regulations and are legally binding. There is no legal impediment in the execution of the terms and entrustment arrangement of the above agreements under the current relevant PRC laws and regulations.

FURTHER INCORPORATION OF IRISH COMPANIES AND HONG KONG COMPANIES

On June 21, 2017, the Company, through Haitong UT Leasing HK, incorporated Haitong UT Leasing Irish Holding Corporation Limited in Ireland as its wholly-owned subsidiary.

In July 2017, the Company, through Haitong UT Leasing Irish Holding Corporation Limited, incorporated five companies in Ireland, namely Haitong Unitrust No. 2 Limited, Haitong Unitrust No. 3 Limited, Haitong Unitrust No. 4 Limited, Haitong Unitrust No. 5 Limited, and Haitong Unitrust No. 6 Limited, as registered owners of the Company's aircraft.

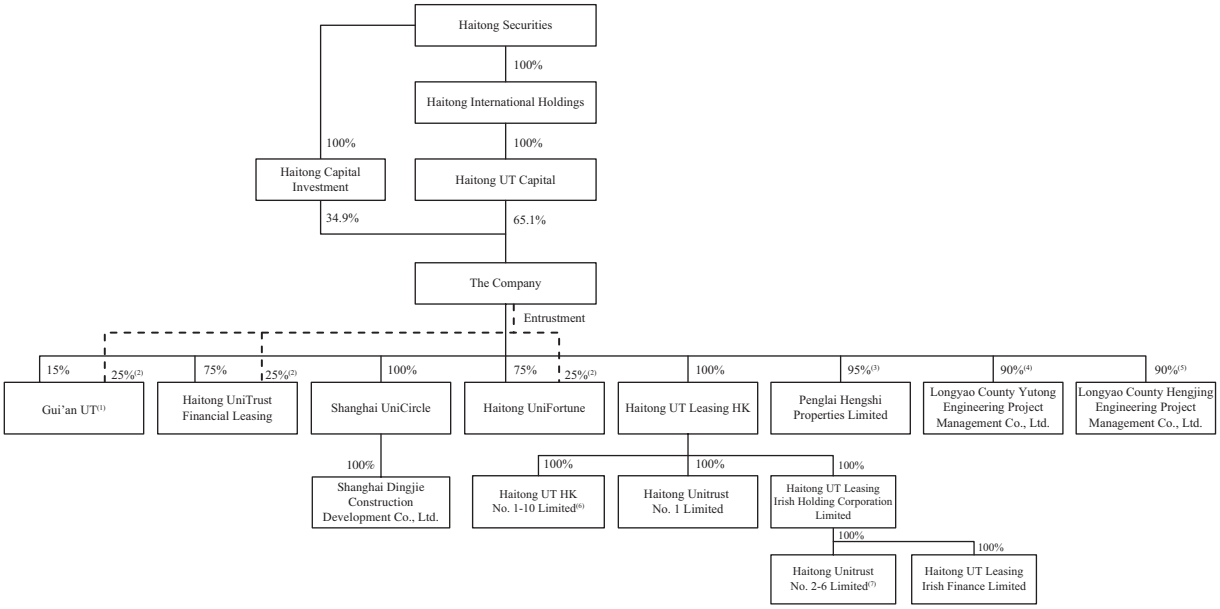
In April 2018, the Company, through Haitong UT Leasing Irish Holding Corporation Limited, incorporated Haitong UT Leasing Irish Finance Limited (together with Haitong Unitrust No.2 Limited, Haitong Unitrust No.3 Limited, Haitong Unitrust No.4 Limited, Haitong Unitrust No.5 Limited and Haitong Unitrust No.6 Limited, the "Irish Operating Companies"), as its wholly-owned subsidiary. The Irish Operating Companies are primarily used for owning and leasing aircraft, and have entered or will enter into aircraft leasing agreements with the Company's customers.

In August 2018, the Company, through Haitong UT Leasing HK, incorporated ten companies in Hong Kong, namely Haitong UT HK 1 Limited, Haitong UT HK 2 Limited, Haitong UT HK 3 Limited, Haitong UT HK 4 Limited, Haitong UT HK 5 Limited, Haitong UT HK 6 Limited, Haitong UT HK 7 Limited, Haitong UT HK 8 Limited, Haitong UT HK 9 Limited and Haitong UT HK 10 Limited (collectively, the "Hong Kong Operating Companies").

As of the Latest Practicable Date, all of the Irish Operating Companies and the Hong Kong Operating Companies are wholly owned subsidiaries of Haitong UT Leasing Irish Holding Corporation Limited and Haitong UT Leasing HK, respectively. All of the Irish Operating Companies and the Hong Kong Operating Companies are engaged in businesses related to aircraft leasing. Their main scope of business includes leasing services such as purchase, sale, leasing and subleasing of aircraft.

Group Structure Immediately after the Reorganization and Further Incorporation of Irish Companies and Hong Kong Companies

After the Reorganization and further incorporation of Irish companies, our shareholding structure is as follow:



(1) The remaining 60% of the equity interest in Gui'an UT was held by Gui'an Financial, an Independent Third Party.

(2) On June 8, 2017, the Company and Haitong UT Capital entered into an agreement to acquire the 25% equity interests in each of Gui'an UT, Haitong UniTrust Financial Leasing and Haitong UniFortune held by Haitong UT Capital. According to the agreement, the Company will, on behalf of Haitong UT Capital, exercise shareholder rights other than rights to sell and to receive income (including income rights of equity interests, such as cash dividends and stock dividends) in respect of the equity interests during the Entrustment Period, including but not limited to the rights to decide and to vote and other shareholder's rights of such equity interests. On October 23, 2017, Haitong UT Capital entered into agreements with its wholly-owned subsidiary Haitong UT Holding Limited, and the Company, to transfer its 25% equity interest in each of Haitong UniTrust Financial Leasing and Haitong UniFortune to Haitong UT Holding Limited, at a consideration of approximately RMB361.9 million and RMB64.2 million (or equivalent USD or HKD), respectively. On November

20, 2017, Haitong UT Capital further entered into an agreement with Haitong UT Holding Limited, Gui'an Financial, and the Company, to transfer its 25% equity interest in Gui'an UT to Haitong UT Holding Limited at a consideration of approximately RMB378.5 million (or equivalent USD or HKD). Pursuant to these agreements, Haitong UT Holding Limited agreed to comply with the Entrustment Arrangement and Haitong UT Capital further agreed to subsequently transfer 100% equity interest of Haitong UT Holding Limited to the Group at a consideration determined on the basis of the then applicable latest unaudited net asset value of Haitong UT Holding Limited. On November 15, 2017, January 19, 2018 and June 15, 2018, 25% equity interests in each of Haitong UniFortune, Haitong UniTrust Financial Leasing and Gui'an UT were transferred by Haitong UT Capital to Haitong UT Holding Limited.

(3) The remaining 5% of the equity interest in Penglai Hengshi Properties Limited was held by Yantai Shiji Properties Limited, an Independent Third Party.

(4) The remaining 1%, 4% and 5% of the equity interest in Longyao County Yutong Engineering Project Management Co., Ltd. were held by Xiamen An'neng Construction Co., Ltd., Zhuoyue Municipal Garden Construction Group Co., Ltd. and Longyao County Chengfa Construction Co., Ltd., respectively, which are independent third parties of the Company.

(5) The remaining 5% and 5% of the equity interest in Longyao County Hengjing Engineering Project Management Co., Ltd. were held by Zhuoyue Municipal Garden Construction Group Co., Ltd. and Longyao County Chengfa Construction Co., Ltd., respectively, which are independent third parties of the Company.

(6) In August 2018, the Company, through Haitong UT Leasing HK, incorporated ten companies in Hong Kong, namely Haitong UT HK No. 1 Limited, Haitong UT HK No. 2 Limited, Haitong UT HK No. 3 Limited, Haitong UT HK No. 4 Limited, Haitong UT HK No. 5 Limited, Haitong UT HK No. 6 Limited, Haitong UT HK No. 7 Limited, Haitong UT HK No. 8 Limited, Haitong UT HK No. 9 Limited and Haitong UT HK No. 10 Limited.

(7) In July 2017, the Company, through Haitong UT Leasing Irish Holding Corporation Limited, incorporated five companies in Ireland, namely Haitong Unitrust No. 2 Limited, Haitong Unitrust No. 3 Limited, Haitong Unitrust No. 4 Limited, Haitong Unitrust No. 5 Limited and Haitong Unitrust No. 6 Limited.

OUR SUBSIDIARIES

The following chart sets out the detailed information of our subsidiaries as at the Latest Practicable Date.

No.	Name of Subsidiary	Place of Incorporation	Date of Incorporation	Registered/Issued Share Capital	Shareholding of our Company	Main Scope of Business
1.	Haitong UniTrust Financial Leasing	PRC	July 29, 2014	RMB1,360,000,000	75%(1)	Financial leasing business, operating leasing, consultation of leasing transactions, and commercial factoring business
2.	Shanghai UniCircle	PRC	July 20, 2006	RMB100,000,000	100%	Financial investment and investment management, consultation services of financial information and vehicle sales, sales of machinery, equipment, and commercial vehicles
3.	Haitong UniFortune	PRC	December 6, 2011	RMB210,000,000	75%(1)	Financial leasing business, and commercial and passenger vehicle leasing
4.	Haitong Unitrust No. 1 Limited	Ireland	October 18, 2016	US$1.00	100%	Aircraft leasing business
5.	Haitong UT Leasing HK	HK	April 25, 2017	US$34,470,000	100%	Aircraft leasing business
6.	Haitong UT Leasing Irish Holding Corporation Limited	Ireland	June 21, 2017	US$1.00	100%	Financial service on aircraft-related business
7.	Haitong Unitrust No.2 Limited	Ireland	July 3, 2017	US$1.00	100%	Aircraft leasing business

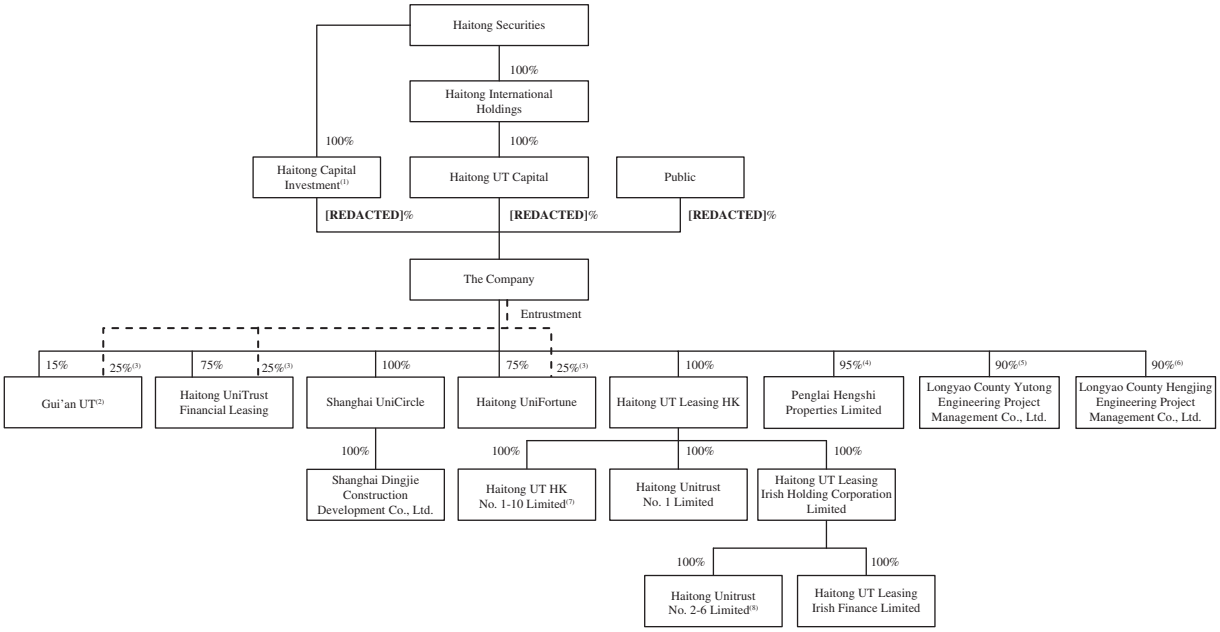
No.	Name of Subsidiary	Place of Incorporation	Date of Incorporation	Registered/Issued Share Capital	Shareholding of our Company	Main Scope of Business
8.	Haitong Unitrust No.3 Limited	Ireland	July 3, 2017	US$1.00	100%	Aircraft leasing business
9.	Haitong Unitrust No.4 Limited	Ireland	July 3, 2017	US$1.00	100%	Aircraft leasing business
10.	Haitong Unitrust No.5 Limited	Ireland	July 3, 2017	US$1.00	100%	Aircraft leasing business
11.	Haitong Unitrust No.6 Limited	Ireland	July 3, 2017	US$1.00	100%	Aircraft leasing business
12.	Haitong UT Leasing Irish Finance Limited	Ireland	April 18, 2018	US$1.00	100%	Financial service on aircraft-related business
13.	Penglai Hengshi Properties Limited	PRC	May 17, 2018	RMB15,000,000	95%	Government outsourcing businesses such as shanty town renovation
14.	Shanghai Dingjie Construction Development Co., Ltd.	PRC	July 18, 2018	RMB20,000,000	100%	PPP project management, government outsourcing businesses
15.	Longyao County Yutong Engineering Project Management Co., Ltd.	PRC	August 7, 2018	RMB65,151,880	90%	PPP project management
16.	Longyao County Hengjing Engineering Project Management Co., Ltd.	PRC	August 7, 2018	RMB37,608,500	90%	PPP project management
17.	Haitong UT HK 1 Limited	HK	August 13, 2018	US$1.00	100%	Aircraft leasing business
18.	Haitong UT HK 2 Limited	HK	August 13, 2018	US$1.00	100%	Aircraft leasing business

No.	Name of Subsidiary	Place of Incorporation	Date of Incorporation	Registered/Issued Share Capital	Shareholding of our Company	Main Scope of Business
19.	Haitong UT HK 3 Limited	HK	August 13, 2018	US$1.00	100%	Aircraft leasing business
20.	Haitong UT HK 4 Limited	HK	August 13, 2018	US$1.00	100%	Aircraft leasing business
21.	Haitong UT HK 5 Limited	HK	August 13, 2018	US$1.00	100%	Aircraft leasing business
22.	Haitong UT HK 6 Limited	HK	August 13, 2018	US$1.00	100%	Aircraft leasing business
23.	Haitong UT HK 7 Limited	HK	August 13, 2018	US$1.00	100%	Aircraft leasing business
24.	Haitong UT HK 8 Limited	HK	August 13, 2018	US$1.00	100%	Aircraft leasing business
25.	Haitong UT HK 9 Limited	HK	August 13, 2018	US$1.00	100%	Financial service on aircraft-related business
26.	Haitong UT HK 10 Limited	HK	August 13, 2018	US$1.00	100%	Financial service on aircraft-related business

(1) On June 8, 2017, the Company and Haitong UT Capital entered into an agreement to acquire the 25% equity interests in each of Gui'an UT, Haitong UniTrust Financial Leasing and Haitong UniFortune held by Haitong UT Capital. According to the agreement, the Company will, on behalf of Haitong UT Capital, exercise shareholder rights other than rights to sell and to receive income (including income rights of equity interests, such as cash dividends and stock dividends) in respect of the equity interests during the Entrustment Period, including but not limited to the rights to decide and to vote and other shareholder's rights of such equity interests. On October 23, 2017, Haitong UT Capital entered into agreements with its wholly-owned subsidiary Haitong UT Holding Limited, and the Company, to transfer its 25% equity interest in each of Haitong UniTrust Financial Leasing and Haitong UniFortune to Haitong UT Holding Limited, at a consideration of approximately RMB361.9 million and RMB64.2 million (or equivalent USD or HKD), respectively. On November 20, 2017, Haitong UT Capital further entered into an agreement with Haitong UT Holding Limited, Gui'an Financial, and the Company, to transfer its 25% equity interest in Gui'an UT to Haitong UT Holding Limited at a consideration of approximately RMB378.5 million (or equivalent USD or HKD). Pursuant to these agreements, Haitong UT Holding Limited agreed to comply with the Entrustment Arrangement and Haitong UT Capital further agreed to subsequently transfer 100% equity interest of Haitong UT Holding Limited to the Group at a consideration determined on the basis of the then applicable latest unaudited net asset value of Haitong UT Holding Limited. On November 15, 2017, January 19, 2018 and June 15, 2018, 25% equity interests in each of Haitong UniFortune, Haitong UniTrust Financial Leasing and Gui'an UT were transferred by Haitong UT Capital to Haitong UT Holding Limited.

GROUP STRUCTURE IMMEDIATELY AFTER THE [REDACTED]

The following chart sets forth our shareholding structure and subsidiaries immediately following the completion of the **[REDACTED]**, assuming that the **[REDACTED]** is not exercised:



(1) In order to streamline the corporate structure, Haitong Capital Investment is expected to transfer its existing shareholding in the Company to another wholly owned subsidiary of Haitong Securities, Haitong Innovation Securities Investment, as soon as practicable subject to compliance with the applicable legal or regulatory requirements. For more details, see "Relationship with Haitong Securities – Overview".

(2) The remaining 60% of the equity interest in Gui'an UT was held by Gui'an Financial, an Independent Third Party.

(3) On June 8, 2017, the Company and Haitong UT Capital entered into an agreement to acquire the 25% equity interests in each of Gui'an UT, Haitong UniTrust Financial Leasing and Haitong UniFortune held by Haitong UT Capital. According to the agreement, the Company will, on behalf of Haitong UT Capital, exercise shareholder rights other than rights to sell and to receive income (including income rights of equity interests, such as cash dividends and stock dividends) in respect of the equity interests during the Entrustment Period, including but not limited to the rights to decide and to vote and other shareholder's rights of such equity interests. On October 23, 2017, Haitong UT Capital entered into agreements with its wholly-owned subsidiary Haitong UT Holding Limited, and the Company, to transfer its 25% equity interest in each of Haitong UniTrust Financial Leasing and Haitong UniFortune to Haitong UT Holding Limited, at a consideration of approximately RMB361.9 million and RMB64.2 million (or equivalent USD or HKD), respectively. On November 20, 2017, Haitong UT Capital further entered into an agreement with Haitong UT Holding Limited, Gui'an Financial and the Company, to transfer its 25% equity interest in Gui'an UT to Haitong UT Holding Limited at a consideration of approximately RMB378.5 million (or equivalent USD or HKD). Pursuant to these agreements, Haitong UT Holding Limited agreed to comply with the Entrustment Arrangement and Haitong UT Capital further agreed to subsequently transfer 100% equity interest of Haitong UT Holding Limited to the Group at a consideration determined on the basis of the then applicable latest unaudited net asset value of Haitong UT Holding Limited. On November 15, 2017, January 19, 2018 and June 15, 2018, 25% equity interests in each of Haitong UniFortune, Haitong UniTrust Financial Leasing and Gui'an UT were transferred by Haitong UT Capital to Haitong UT Holding Limited.

(4) The remaining 5% of the equity interest in Penglai Hengshi Properties Limited was held by Yantai Shiji Properties Limited, an Independent Third Party.

(5) The remaining 1%, 4% and 5% of the equity interest in Longyao County Yutong Engineering Project Management Co., Ltd. were held by Xiamen An'neng Construction Co., Ltd., Zhuoyue Municipal Garden Construction Group Co., Ltd. and Longyao County Chengfa Construction Co., Ltd., respectively, which are independent third parties of the Company.

(6) The remaining 5% and 5% of the equity interest in Longyao County Hengjing Engineering Project Management Co., Ltd. were held by Zhuoyue Municipal Garden Construction Group Co., Ltd. and Longyao County Chengfa Construction Co., Ltd., respectively, which are independent third parties of the Company.

(7) In August 2018, the Company, through Haitong UT Leasing HK, incorporated ten companies in Hong Kong, namely Haitong UT HK No. 1 Limited, Haitong UT HK No. 2 Limited, Haitong UT HK No. 3 Limited, Haitong UT HK No. 4 Limited, Haitong UT HK No. 5 Limited, Haitong UT HK No. 6 Limited, Haitong UT HK No. 7 Limited, Haitong UT HK No. 8 Limited, Haitong UT HK No. 9 Limited and Haitong UT HK No. 10 Limited.

(8) In July 2017, the Company, through Haitong UT Leasing Irish Holding Corporation Limited, incorporated five companies in Ireland, namely Haitong Unitrust No. 2 Limited, Haitong Unitrust No. 3 Limited, Haitong Unitrust No. 4 Limited, Haitong Unitrust No. 5 Limited and Haitong Unitrust No. 6 Limited.

[REDACTED] OF THE GROUP FROM HAITONG SECURITIES

The directors of Haitong Securities believe that the **[REDACTED]** and separate **[REDACTED]** of the Group from Haitong Securities (the "**[REDACTED]**") will better position the Haitong Securities Group and the Group for developing their respective businesses and deliver benefits to both groups. The **[REDACTED]** will better reflect the value of the Group on its own merits and increase our operational and financial transparency through which investors would be able to appraise and assess the performance and potential of the Group separately and distinctly from those of Haitong Securities Group. Through the **[REDACTED]**, the Group is expected to further accelerate its development due to its enlarged capital base and its ability to directly and independently access both equity and debt capital markets in the future. The Group's revenues and profits will continue to be consolidated in the financial statements of Haitong Securities following the **[REDACTED]**, which will benefit the overall financial performance of Haitong Securities.

The Group's business is expected to undergo relatively rapid business expansion and the **[REDACTED]** will appeal to an investor base that favors high growth opportunities for the Group.

The **[REDACTED]**, if it proceeds, will not constitute a notifiable transaction for Haitong Securities under the Listing Rules. As required under applicable PRC laws and regulations, the approval of the shareholders of Haitong Securities for the **[REDACTED]** was obtained at the annual general meeting of Haitong Securities held on June 6, 2017 (the "Haitong Securities AGM").

The proposal in relation to the **[REDACTED]** was submitted by Haitong Securities to the Stock Exchange for approval pursuant to Practice Note 15 of the Listing Rules ("Practice Note 15"), and the Stock Exchange [has confirmed] that Haitong Securities may proceed with the proposed **[REDACTED]**. The **[REDACTED]** by Haitong Securities complies with the requirements of Practice Note 15.

Practice Note 15 requires Haitong Securities to have due regard to the interests of its existing shareholders by providing them with an **[REDACTED]** to the Shares, either by way of a distribution in specie of existing Shares or by way of a **[REDACTED]** in the **[REDACTED]** of existing or new Shares (the "**[REDACTED]**"). Practice Note 15 provides that the minority shareholders of Haitong Securities may by resolution in general meeting resolve to waive the **[REDACTED]**.

Haitong Securities put forward a proposal to the Haitong Securities AGM, the Haitong Securities A shareholders' class meeting and the Haitong Securities H shareholders' class meeting to approve the provision of the **[REDACTED]** to the Haitong Securities H shareholders only. This is because due to the provisions of certain PRC laws and regulations, Haitong Securities is restricted from providing the **[REDACTED]** to Haitong Securities A shareholders.

At each of Haitong Securities AGM, the Haitong Securities A shareholders' class meeting and the Haitong Securities H shareholders' class meeting, the resolution to approve the provision of the **[REDACTED]** to the Haitong Securities H shareholders only was approved by the shareholders of Haitong Securities. As a result, the **[REDACTED]** in the **[REDACTED]** will be provided to the Haitong Securities H shareholders only.

In the extraordinary general meeting of Haitong Securities held on December 5, 2018, the shareholders of Haitong Securities further approved the extension of the authorization period for the

board of Haitong Securities and its authorized persons to deal with, in their sole discretion, the matters related to the **[REDACTED]** of the Company.

See "Structure of the **[REDACTED]** – The **[REDACTED]**" for the details of the **[REDACTED]** to the **[REDACTED]**.

OVERVIEW

We are a large and fast-growing financial leasing company in China. As the sole leasing platform and one of the key strategic segments of Haitong Securities, a leading securities firm in China, we offer customer-oriented and innovative financial services to a diverse group of customers across various industries by leveraging the investment banking expertise of Haitong Securities and our senior management. According to Frost & Sullivan, we ranked third among foreign-funded financial leasing companies approved by the MOFCOM in terms of total revenue in 2017 and total assets as of December 31, 2017.

Our businesses comprise financial leasing, operating leasing, factoring, entrusted loans and other loans, as well as advisory services, representing 69.4%, 3.3%, 8.9%, 1.4% and 17.0%, respectively, of our total revenue for the year ended December 31, 2018. We achieved rapid growth during the Track Record Period. Our total assets increased from RMB45,980.6 million as of December 31, 2016 to RMB82,111.4 million as of December 31, 2018, representing a CAGR of 33.6%. Our total revenue increased from RMB3,163.7 million in 2016 to RMB5,332.3 million in 2018, representing a CAGR of 29.8%. Our net profit increased from RMB849.0 million in 2016 to RMB1,311.3 million in 2018, representing a CAGR of 24.3%.

We have adopted a "One Body, Two Wings" business development model. On the one hand, our headquarters operates six specialized business departments focusing on specific industries or customer segments that demand strong expertise. On the other hand, we have also built up a branch network providing comprehensive services to local customers. Such network has deepened our presence in local markets and enabled us to manage local operations in a cost-efficient manner.

We are implementing a customer strategy to develop a balanced customer base. While we proactively develop Government & LME customers and take on large projects, we also strategically promote businesses with MSE & Retail customers, which possess significant growth potentials. As of December 31, 2018, our customer base consisted of 746 Government & LME customers and 254,718 MSE & Retail customers, contributing to 59.9% and 40.1% of our interest-earning assets, respectively. For the year ended December 31, 2018, approximately 61.9% of our total revenue was attributable to Government & LME customers and approximately 38.1% was attributable to MSE & Retail customers. We have customers in a wide array of industries, including transportation & logistics, industrials, infrastructure, construction & real estate, health care, chemical and education industry. As of December 31, 2018, our interest-earning assets attributable to transportation & logistics, industrials, infrastructure, construction & real estate, health care, chemical and education industry represented 36.9%, 17.9%, 15.3%, 9.5%, 5.0%, 1.8% and 1.0%, respectively, of our total interest-earning assets, and our revenue from these industries accounted for 36.3%, 17.5%, 16.6%, 10.8%, 5.1%, 1.5% and 2.4%, respectively, of our total revenue for the year ended December 31, 2018.

We have a comprehensive and prudent risk management system covering various types of risks throughout our entire business processes. We apply our rich experience in the financial leasing industry and deep knowledge of capital markets in our risk management process. When we review the credit profiles of customers, we consider not only their basic financial indicators but also their growth potential and access to the capital markets. During the Track Record Period, we maintained sound asset quality. As of December 31, 2016, 2017 and 2018, the NPA ratio of our interest-earning assets was 1.10%, 0.93% and 0.94%, respectively, and our allowance coverage ratio for NPAs was 299.73%, 335.92% and 339.05%, respectively.

OUR STRENGTHS

Tailored and innovative services and products addressing customer needs

Leveraging the extensive investment banking expertise of Haitong Securities and our senior management, we are committed to providing tailored services to satisfy our corporate customers' evolving needs throughout their lifecycles from the start-up, growth to the maturity stages. We strive to increase customer loyalty by improving customer experience. We have built an "online + offline" sales and service network to cover our customers. For instance, in addition to our branch network, our customers can also access our passenger vehicle leasing products and services through a mobile application.

We have developed innovative business models, services and products based on our deep understanding of customer needs and continual research on the financial leasing industry. In addition, we have fielded dedicated product innovation teams in our business departments which employ a forward-looking research approach widely adopted by the investment banking industry to conduct feasibility studies on industries, business models, services and products. These have laid a foundation for our future innovations.

- We focus on opportunities in emerging industries and transformation of traditional industries, which is the growth driver for our business. For example, in 2015, we entered into the new energy vehicles, modern warehousing and logistics, and IDC industries and have developed close relationships with the leading companies in these industries. In response to the supply-side structural reform promoted by the PRC government, we also lease advanced production equipment to manufacturers which demand imminent technology upgrading.

- We also lease environmental protection equipment to customers whose operations are required to meet heightened environmental protection standards. In addition, we proactively seek PPP projects in the infrastructure industry to tap into new markets and have dedicated research and execution teams for such projects.

- We have designed leasing products which have flexible terms and can be converted into, or exchanged with, securities of our customers. Our convertible lease and exchangeable lease products provide us with an option to convert the outstanding lease receivables into shares of corporate customers within a prescribed period, which provide our customers with flexible financing solutions. We introduced Internet-based financial leasing products in 2015 and online factoring products in January 2017. We started to provide financial leasing for micro- and small-sized dental clinics in 2016 and for hotel chains in 2018.

High-quality and diverse customer base

We have adopted a customer strategy to balance our customer base, pursuant to which we focus on both Government & LME customers and MSE & Retail customers. This strategy enables us to improve our asset structure, revenue mix and duration matching, and to further diversify credit risk and mitigate cyclical risk.

We have a high-quality and diverse customer base. We have established long-term and stable relationships with many LMEs (including SOEs and listed companies), as well as certain government agencies. Our interest-earning assets attributable to Government & LME customers increased from RMB34,191.6 million as of December 31, 2016 to RMB42,280.6 million as of December 31, 2018,

representing a CAGR of 11.2%. Revenue attributable to Government & LME customers increased from RMB2,593.5 million in 2016 to RMB3,300.2 million in 2018, representing a CAGR of 12.8%. Our Government & LME customers have good qualification and creditworthiness. As of December 31, 2016, 2017 and 2018, the NPA ratio of the interest-earning assets attributable to Government & LME customers was 1.04%, 0.92% and 0.88%, respectively.

We have been strategically cultivating MSEs & Retail customers for more than ten years. As a result of many years' efforts, our MSE & Retail business has accumulated strong expertise and achieved economies of scale.

- The number of our MSE & Retail customers increased from 62,642 as of December 31, 2016 to 254,718 as of December 31, 2018, representing a CAGR of 101.6%. The interest-earning assets attributable to MSE & Retail customers increased from RMB8,319.9 million as of December 31, 2016 to RMB28,313.2 million as of December 31, 2018, representing a CAGR of 84.5%. The revenue attributable to these customers increased from RMB570.2 million in 2016 to RMB2,032.1 million in 2018, representing a CAGR of 88.8%.
- We focus on emerging industries, including transportation and logistics (in particular, commercial and passenger vehicles), high-end manufacturing, electronic and medical equipment, to identify high-quality MSE customers that can benefit from China's economic transformation. We commenced our financial leasing services for commercial vehicles in 2011 and have expanded to passenger vehicles in 2015.
- We have continually improved the risk management and operations of our MSE & Retail business. While continuing to refine our credit approval and evaluation processes, we have adopted innovative and efficient credit approaches, including specific credit policies for retail customers, online scorecard for factoring business and scorecard for micro- and small-sized dental clinics. As of December 31, 2016, 2017 and 2018, the NPA ratio of the interest-earning assets attributable to MSE & Retail business was 1.38%, 0.97% and 1.02%, respectively. In addition, our order processing capabilities have been improved through information technologies, which contributed to the growth of our MSE & Retail business.

Effective operating model with specialized headquarters' departments and localized teams

We have implemented a "One Body, Two Wings" strategy of business development. Pursuant to this strategy, we have built up expertise in strategically targeted industries or customer segments by leveraging our six specialized business departments at the headquarters. On the other hand, to deepen our presence in the local markets, we have efficiently established a branch network with capabilities to provide comprehensive services to local customers, enabling us to effectively adapt to the local environments. As a result, we can promptly respond to customer needs and manage the local operations in a cost-efficient manner.

Our headquarters operates six specialized business departments, namely Public Services Department, Institutional & Internet Channel Development Department, Construction Department, MSE Business Department, Industrials Department and Health Care Business Department. These departments have accumulated extensive experience and rich insights into the prospects of specific industries and customer segments that demand strong expertise. Through their research and analysis, these departments are able to develop new customers and further address our existing customers' demand. We have formed industry alliances to build a close relationship with the enterprises in our target industries. We believe that such alliances enable us to capture the business opportunities along the supply chain of our partners and help us improve our services and pricing power.

Benefiting from Haitong Securities' experience and resources in operating branches across China, we have successfully established a branch network covering our businesses across the country. Our branch network consists of our subsidiaries and branches which have local teams in 25 provinces and Hong Kong. As of the Latest Practicable Date, we had 17 branches in 16 provinces and seven directly-held subsidiaries in areas including Hong Kong, Tianjin, Shandong, Hebei and Shanghai. We plan to establish at least three new branches in 2019. Our network of local offices enables us to cover wider regions and customers more efficiently. In addition to carrying out sales and marketing in the local markets, our local teams also perform risk control functions, including due diligence prior to credit approval and inspection of underlying assets during lease terms. Such arrangement helps us lower management cost and, as a result, our cost-to-income ratio decreased from 12.04% in 2016 to 11.52% in 2018. Over time, our local teams have been able to develop expertise that is most pertinent to the local market environments.

Comprehensive and prudent risk management

We have established a comprehensive risk management system covering various types of risks throughout business processes in different local markets and credit environments. Within Haitong Securities comprehensive risk management framework, we carry out our risk management practice independently and report our risk management indicators to Haitong Securities as one of its business segments.

Our risk management objectives are to maximize risk-adjusted returns within our risk tolerance level. We apply our rich experience in the financial leasing industry and deep knowledge of capital markets in the risk management process. When we review the credit profiles of customers, we consider not only the basic indicators of their repayment ability but also their growth potential and access to the capital markets. Such approach enables us to develop customers with significant business prospects while effectively controlling credit risks.

- *Customer and industry selection*. We conduct comprehensive due diligence on customers and perform detailed commercial feasibility studies of relevant projects. We rigorously select customers whose products and business are in line with the national industry policies. Such approach enables us to focus on industries and customers which are in conformity with our strategy within our risk tolerance.

- *Credit review and approval.* We have set principles, procedures and approaches for credit review which are designed for various industries and types of customers, and continued to optimize our credit approval process. We formulated differentiated credit review guidance for transportation & logistics, industrials, public services, construction & real estate and health care industries. For business with MSE & Retail customers, within our comprehensive review system, we authorize the business departments to perform credit review and adopt a dynamic credit approval mechanism and a scorecard method. We accept pledge of equity interest, right to future cash flows and accounts receivables, as well as account supervision as credit enhancement measures. In addition, we use scorecards for evaluating the credit profiles of MSE customers who apply for financing and our scoring system can automatically generate base credit rating for an applicant.

- *Leased asset management.* We established a comprehensive leased asset management system, covering on-site inspections of leased assets, real-time publicity monitoring using crawler technology, five-category asset classification, risk warning and evaluation, asset preservation and disposal, and exposure limit management of credit asset portfolio. These

measures enable us to effectively identify, monitor, evaluate and deal with the risks associated with leased assets and improve asset quality.

During the Track Record Period, we maintained sound risk management practices. We have adopted a five-category asset classification system comparable to the one under the Guidelines on Risk-based Loan Classification issued by the CBRC. As of December 31, 2016 and 2017, our NPA ratio was 1.10% and 0.93%, respectively, and our allowance coverage ratio was 299.73% and 335.92%, respectively, superior to the average of the PRC financial leasing industry and the average of the PRC banking industry. As of December 31, 2018, our NPA ratio was 0.94% and our allowance coverage ratio was 339.05%. In 2016, we became the first financial leasing company which has been granted access to the PBOC's Enterprise Credit System through data reporting program and is authorized to search credit reports of enterprises in that system.

Strong financing capabilities with diverse funding sources

Through close cooperation with domestic and overseas financial institutions, we have developed diverse funding sources, including syndicated loans, bank loans and debt securities issued in capital markets. We have obtained a credit rating of AAA (stable outlook) in China from Shanghai Brilliance. With our strong financing capabilities, we have been able to raise funds at low cost to support our business growth and achieve improved profitability. In addition, Haitong Securities has a strong capital base and has made capital injections into our Company in an aggregate amount equivalent to RMB5.0 billion.

We have diverse funding sources. As of February 28, 2019, we had credit facilities of RMB73.3 billion in aggregate from 62 domestic and overseas financial institutions, approximately RMB35.0 billion of which had not been used. During the Track Record Period and up to the Latest Practicable Date, we have also proactively raised funds from capital markets by issuing debt securities, including fixed medium-term notes, asset-backed securities, short-term commercial papers, corporate bonds, perpetual medium-term notes, ultra-short-term commercial papers, asset-backed notes and private placement notes. As of December 31, 2018, the outstanding balance of our direct financing was RMB28,688.7 million, representing 48.1% of our total outstanding indebtedness.

We have continually enhanced our financing capabilities through innovative financing solutions. Some of our financing transactions were the milestones in the PRC financial leasing industry:

- In September 2014, we became one of the first foreign-funded leasing companies which were approved to issue medium-term notes by the National Association of Financial Market Institutional Investors;
- In May 2015, we set up our first asset-backed securitization program with an aggregate principal amount of RMB1,362 million, which was then the largest asset-backed securitization program with finance lease receivables as underlying assets;
- In August 2015, we set up a RMB2.1 billion syndicated financing facility in the Shanghai Free Trade Zone, which was the first syndicated financing facility under the free trade account for finance leasing companies and was awarded "Best Project of the Year" by Shanghai Banking Association;
- In December 2015, we became the first financial leasing company which was approved to register perpetual medium-term notes in PRC inter-bank market and, in March 2016, we successfully issued perpetual medium-term notes with a principal amount of RMB1.2 billion;

- In April 2016, we set up the first asset-backed securities program listed on the over-the-counter market of Chinese securities firms issued by financial leasing companies, which has a revolving asset pool with a principal amount of RMB1.2 billion;
- In July 2018, we issued the first batch of asset-backed securities (Bond Connect) in China; and
- In August 2018, the proposed issuance of asset-backed securities with a total amount not exceeding RMB5 billion under our special small scale asset-backed securities plan obtained the approval from the Shanghai Stock Exchange.

Based on our superior credit rating, diverse financing sources and innovative financing solutions, our weighted average interest rate was 4.4%, 5.0% and 5.0% in 2016, 2017 and 2018, respectively.

Strong shareholder background, experienced and visionary management team and sophisticated talent management system

Haitong Securities is one of the first established and leading full-service securities firms in China. It has comprehensive business platforms, broad distribution network, strong customer base, excellent innovation capabilities, well-developed international platforms, sound corporate governance and comprehensive risk management system. As the sole leasing business platform and one of the key strategic business segments of Haitong Securities, we benefit from its abundant resources and well-recognized brand name. We closely cooperate with Haitong Securities to strengthen our ability to provide comprehensive financial services to customers, and our services and products also enhanced customers' overall satisfaction with and loyalty to Haitong Securities Group.

Our senior management team is experienced in management of financial institutions, and gives us unique advantages for strengthening our cooperation with Haitong Securities. Six of our senior management served important positions in securities and investment banking areas. Mr. Ren Peng, our chairman, has rich experience and deep insights in China's securities and investment banking industries. He served as a commissioner of the Committee of M&As and Restructuring of the CSRC and currently serves as commissioner of the Expert Committee of the CSRC. Mr. Ding Xueqing, our general manager, served as general manager of the Retail and Internet Finance Department of Haitong Securities and has extensive management experience in the retail segment of securities business. Our senior management's vision and entrepreneurial spirit have led us to adjust our business strategies in a timely manner to capture market opportunities.

We have established an advanced talent management system which can effectively attract, nurture and motivate talented employees. We are the first in China's financial leasing industry to adopt an orderly and equitable promotion system comparable to the managing director hierarchy widely used in the investment banking industry. Such system creates a clear career path for our employees, which helps us attract and retain high-quality management and professionals. In addition, we have built up a talented professional team which has deep knowledge of local markets at our branches.

OUR STRATEGIES

Our strategic vision is to become the foremost PRC financial leasing company that leads industry innovation. Leveraging our competitive strengths, we will continue to expand and diversify our customer base and further develop our MSE & Retail business by providing professional and client-oriented services. We plan to establish additional branches to expand our network and strengthen the coordination of sales and marketing resources among our headquarters and local teams. We will expand our financing channels to obtain stable and low-cost funding to support our business growth.

We intend to improve our risk management system and other operating and management systems by investing more resources in information technology and other internal supporting systems. We will continue to attract, nurture and incentivize talented professionals and optimize our talent management system, in particular the remuneration and performance review system. We expect that our strategies will achieve attractive growth and enhance the return for our Shareholders. In particular, we intend to implement the following business strategies:

Continue to implement the best practices of investment banking and strengthen business and product innovation

We believe that our business philosophy of providing tailored and innovative services and products to meet customer needs is an important factor which differentiates us from other financial leasing companies and contributes to our leading position in the PRC financial leasing industry. We will continue to provide innovative products and services based on customer needs by implementing the best practices of investment banking and strengthening the collaboration with financial institutions and industry alliances partners.

In aspect of business and product innovation, we will continue to launch innovative products and services and seek investment opportunities to expand our sources of revenue based on our deep understanding of customer needs, industry development trends and capital markets. For example, we plan to allocate more resources in PPP projects and promote convertible and exchangeable leasing products and cross-border financial leasing. In July and August 2018, we have established subsidiaries in Shanghai and Hebei Province, which are focused on providing financing services to government-led public facility, road, housing and hydroelectricity projects through PPP and government procurement models. In addition, to capture the opportunities in the big data sector, we are actively promoting the cooperation with a third party to set up a joint venture to provide IDC services. We intend to provide services to Internet companies, financial institutions and government departments in the investment, establishment and maintenance of data centers. Meanwhile, we plan to increase our investments in information technologies to support development and upgrading of the Internet-based services and supply-chain finance. In addition, we plan to continue to grow our aircraft leasing business by increasing investments in this business. In addition to receiving rentals, we plan to monitor the market closely for opportunities to sell aircraft portfolios to generate returns.

Solidify business foundation by further cultivating large clients and large projects and promoting MSE & Retail business

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

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

We believe that our MSE & retail business is one of our significant growth drivers to achieve a long-term rapid development and one of the key factors to improve our overall profitability. While

continuing to develop large customers and large projects, we plan to actively develop high-quality MSE & Retail customers which have strong competitiveness. We will continue to strengthen our sales and services to MSE & Retail customers so as to further enlarge our customer base and refine the structure of our customer base. In addition, we plan to further tap into the inclusive finance with Internet-based approaches. While optimizing our existing online products and services for retail customers, we will continue to develop new Internet-based products. We will recognize and satisfy retail customer needs for financial services, in particular for our financial leasing and factoring businesses, based on our knowledge of certain individual consumption scenarios.

Continue to expand sales and service network and strengthen the collaboration between our headquarters' specialized departments and our local teams

Our unique two-tiered operating model played a paramount role in our rapid growth during the Track Record Period. We plan to continue to improve and strengthen the collaboration among our specialized business departments, branches and subsidiaries to support the long-term growth of our business.

Our specialized business departments at the headquarters will continue to deepen research in their target industries and customer segments and continue to lead our key projects in strategic emerging industries such as smart city, IDC, new energy automobiles and environmental protection. With respect to our network of local offices, we will establish more branches to expand our network to cover all the four directly-controlled municipalities, provincial capitals and other cities in economically-developed regions. We will improve the management structure of our local operations across the country and enhance our branches' sales capabilities to maintain our network advantage among our peers. Meanwhile, our branches will fully utilize their local presence to develop the local markets based on the features of regional economies and realize rapid growth. We currently plan to establish at least three new branches and sub-branches in 2018. Furthermore, we plan to enhance the coordination and collaboration among our specialized business departments at our headquarters and our local team to improve the efficiency of our sales and marketing.

Improve our risk management capabilities and upgrade our IT systems and other internal supporting functions

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

We fully recognize the significance of safe and efficient information technology systems to our business development and risk management. We will continually increase our investments in IT systems and improve our information systems' scalability, responsiveness and reliability by expanding, improving and upgrading the IT infrastructure. While developing new businesses, we will optimize existing systems and develop new systems in a timely manner to meet the demands arising from business system updates, changes in business processes and innovative business, which enables us to systematically manage each business process with information technology and improve our operations and internal control. In addition, we will also strengthen the development of management systems and

streamline internal procedures to improve the efficiency of our risk management, human resource management and capital management, and further improve our operating capabilities and the effectiveness of our comprehensive risk management.

Expand financing sources, lower financing costs and strengthen liquidity management capabilities

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

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

Optimize performance-based incentive mechanism and further grow our high-quality professional team

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

OUR BUSINESSES

Overview

We provide our customers with financial leasing, operating leasing, factoring, entrusted loans and other loans, as well as advisory services.

The following table sets forth our revenue by business line for the periods indicated:

	For the year ended December 31,					
	2016		2017		2018	
	Amount	% of total	Amount	% of total	Amount	% of total
	(RMB in millions, except percentages)					
Finance lease income	2,303.4	72.8%	2,675.8	66.3%	3,698.4	69.4%
Operating lease income	7.3	0.2%	86.0	2.1%	174.3	3.3%
Factoring income	87.3	2.8%	359.8	8.9%	473.5	8.9%
Entrusted loan and other loan income[1]	42.0	1.3%	61.8	1.6%	74.0	1.4%
Service fee income[2]	723.8	22.9%	853.4	21.1%	912.0	17.0%
Total revenue	**3,163.7**	**100.0%**	**4,036.8**	**100.0%**	**5,332.3**	**100.0%**

(1) In 2016, entrusted loan and other loan income consisted solely of interest income on entrusted loans we provided to customers in the PRC. In July 2017, Haitong UT Capital assigned two existing loans with an aggregate principal of US$10 million with a third party to our subsidiary, Haitong UT Leasing Irish Holding Corporation Limited; and our subsidiary, Haitong UT Leasing HK, extended loans to certain corporate customers. As a result, we generated interest income on such loans in addition to that on entrusted loans in 2017 and 2018.

(2) Consists of advisory service fees we charge our customers.

We offer our products and services to customers from a wide range of industries, including transportation & logistics, industrials, infrastructure, construction & real estate, health care, chemical and education industry. See "— Industry Analysis."

Principal Products and Services

Financial Leasing

During the Track Record Period, we derived our revenue primarily from financial leasing. In 2016, 2017 and 2018, our finance lease income was RMB2,303.4 million, RMB2,675.8 million and RMB3,698.4 million, respectively, representing 72.8%, 66.3% and 69.4%, respectively, of our total revenue.

Direct Leases and Sale-and-leasebacks

We lease various types of equipment through direct lease or sale-and-leaseback transactions. During the Track Record Period, we leased our equipment primarily through sale-and-leaseback transactions in terms of the amount of finance lease receivables.

The following table sets forth the amount of finance lease receivables from direct leases and sale-and-leasebacks as of the dates indicated:

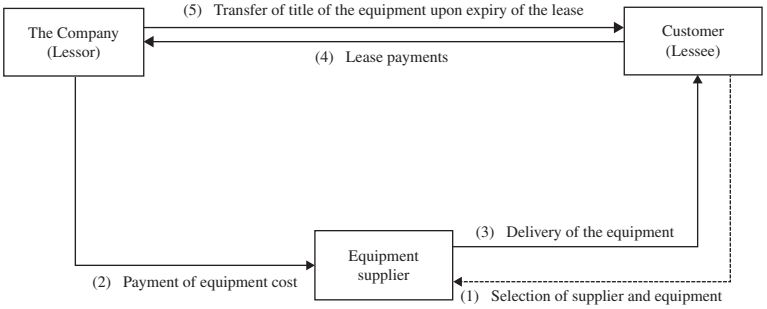
	As of December 31,					
	2016		2017		2018	
	Amount	% of total	Amount	% of total	Amount	% of total
	(RMB in millions, except percentages)					
Direct leases	1,851.3	4.9%	3,394.8	7.5%	4,573.2	7.2%
Sale-and-leasebacks	36,016.0	95.1%	41,623.5	92.5%	58,784.5	92.8%
Total	**37,867.3**	**100.0%**	**45,018.2**	**100.0%**	**63,357.7**	**100.0%**

Direct Leases

A typical direct lease involves three parties, namely the lessor, the lessee, and the equipment supplier. We, as the lessor, purchase the equipment from the equipment supplier and lease it to the lessee (our customer) in return for periodic lease payments. In a direct lease, we, as a lessor, has the title of leased equipment within the lease term, while substantially all of the risks and rewards associated with the title of the leased equipment have been transferred to the lessee.

At the end of the lease term, the lessee has the option, upon prior notice to us, to purchase the leased equipment, renew the lease, or return the leased equipment to us, if there is no default on the part of the lessee or if the lessee's default has been cured. If the lessee selects to purchase the leased equipment, it should pay us the consideration prior to the expiry of the lease term. We transfer the title of the leased equipment to the lessee after receiving the consideration.

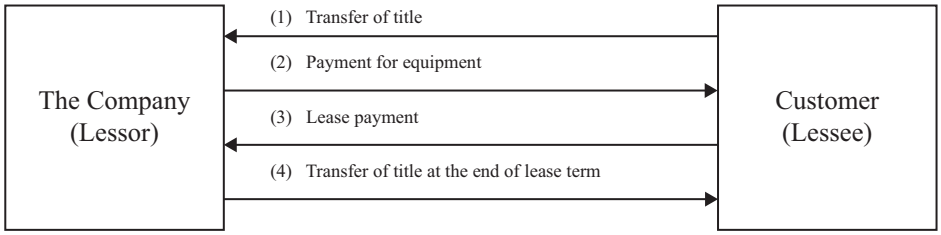
The following chart shows the relationships among the lessor, the lessee and the equipment supplier (if the lessee selects to purchase the leased equipment upon expiry of the lease term):



Sale-and-leaseback

A typical sale-and-leaseback transaction involves a lessor and a lessee. In a sale-and-leaseback transaction, the lessee (our customer) purchases the equipment from an equipment supplier using its own funds and then sells the equipment to us. We as the lessor lease the equipment back to the lessee in return for periodic lease payments. At the end of the lease term, the lessee has the option to repurchase the leased equipment thus regaining the title of the leased equipment.

The following chart shows the relationships between the lessor and the lessee in a sale-and-leaseback transaction:



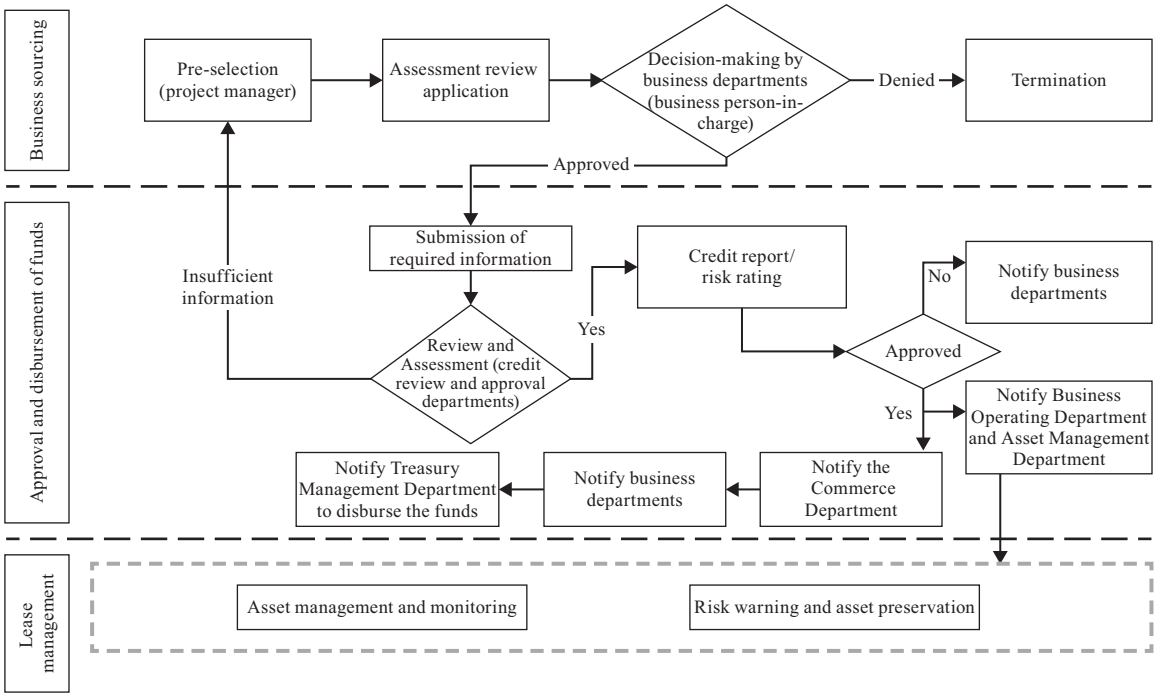
Key Terms of Leasing Contracts

We sign written contracts setting forth key terms of the leases with our customers. Our direct lease or sale-and-leaseback contracts generally have the same set of key terms apart from the difference in transaction structure. In general:

- The lessee has an unconditional obligation to make timely lease payments and other payables in full pursuant to the lease contracts.
- The lease is priced based either on floating rate or fixed rate. We determine the applicable interest rate of our lease contracts based on the PBOC benchmark interest rates as well as a comprehensive assessment of the lessee's creditworthiness and probability of default and the conditions of the industry in which the lessee operates. In respect of a floating rate lease, after the lease term begins, if the PBOC benchmark interest rates have changed on any scheduled payment date as compared to the last payment date, we, as the lessor, have the right to adjust the applicable interest rate accordingly in accordance with the lease contracts.
- Lease payments are usually be made in equal monthly or quarterly installments. We may also agree on customized payment schedules with a customer upon its request.
- We require down payments upfront from certain lessees. Such down payments are generally lower than 30% of the total contract amount. At the end of a lease term, such down payments can be used to offset any account outstanding if there is no default on the part of the lessee or if the lessee's default, if any, has been cured.

Financial Leasing Business Process

We have established a standardized financial leasing business process. The following chart illustrates the key steps of this process:



This process can be divided into three phases, namely business sourcing, approval and disbursement of funds, and lease management.

- ***Business sourcing.*** In the phase of business sourcing, the project manager submits a project approval application to the relevant business person-in-charge after conducting pre-selection of the projects. When reviewing the application, the business person-in-charge has the right to request the project manager to conduct further due diligence to collect necessary information. The application is submitted to the credit review and approval departments for approval after it is approved by the business person-in-charge. The business sourcing process is terminated if the project is vetoed by the business person-in-charge.

- ***Approval and disbursement of funds.*** After receiving the application and relevant materials from the business person-in-charge, the credit review and approval departments will compile a credit review report, assign credit ratings to the relevant customers, and submit the credit review report and the credit ratings to the authorized approver for approval. The authorized approver reviews the application and has the power to approve or deny the application. If the application is denied by the authorized approver, the application approval process is terminated. If the authorized approver approves the application, we will enter into written contracts with the customers and disburse the funds to the customer after confirming that all the conditions precedent to the approval have been satisfied.

- ***Lease management.*** We begin to conduct lease management through our Business Operating Department and Asset Management Department after disbursing funds to the customers. Lease management mainly includes lease payment management, leased equipment and customer management, and the management of finance lease receivables at risk. Lease payment management refers to the monitoring over the timing and amount of the lease

payments; leased equipment and customer management refers to the monitoring and inspections regarding the value and liquidity of the leased assets and the repayment ability of the lessees. Management of finance lease receivables at risk refers to the steps we take to recover overdue lease payments.

Credit risk is the primary type of risk we face in our financial leasing business. We maintain a set of rules and procedures to manage credit risks arising in our financial leasing business and implement these rules and procedures throughout our operational process. See "Risk management — Credit Risk Management."

Operating Leasing

Leases are classified as finance leases if substantially all of the risks and rewards associated with the title in the leased equipment are transferred to the lessee. Leases are classified as operating leases if substantially all of the risks and rewards associated with the title remain with the lessor. During the Track Record Period, our operating leasing business included aircraft leasing.

We conduct our aircraft leasing business primarily through Haitong UT Leasing HK, our wholly-owned subsidiary. On November 9, 2016, we acquired from a world-class aircraft leasing company its title of a Boeing 737-800 as well as its rights and obligations under an existing lease of such aircraft. In August and September 2017, Haitong UT Leasing Irish Holding Corporation Limited, which is a wholly-owned subsidiary of Haitong UT Leasing HK, acquired the titles to four aircraft and the rights and obligations under the existing leases of these aircraft. In 2018, Haitong UT Leasing HK, together with Haitong UT Leasing Irish Holding Corporation Limited, further acquired the titles to five aircraft and the rights and obligations under the existing leases of these aircraft. As of December 31, 2018, the aggregate book value of these ten aircraft was RMB4,167.4 million.

We rely primarily on acquisition of on-lease aircraft portfolios from reputable aircraft leasing companies to expand our aircraft fleet. The leases of these aircraft generally have a remaining term of five or more years. We consider a variety of factors before acquiring aircraft portfolios. These factors include (i) the existing lease terms, (ii) the assignor's creditworthiness and capital strength, and (iii) the conditions of the aircraft, such as the value, liquidity, configuration, and repair history of this aircraft. We seek professional assistance in asset valuation, technical inspections of aircraft and associated tax and legal matters. After purchasing an aircraft portfolio, we engage asset managers for professional asset management services. We watch the market closely for opportunities to sell our aircraft portfolios to generate gains.

We plan to continue to grow our operating leasing business, particularly aircraft leasing business, in the future. See "— Our Strategies." As of the Latest Practicable Date, we had entered into an agreement to purchase two aircraft. We plan to finance our purchases of on-lease aircraft through a diverse range of funding sources, including (i) net **[REDACTED]** from the **[REDACTED]**; (ii) bank loans; (iii) proceeds from domestic and overseas debt offerings; and (iv) income generated from our business operations.

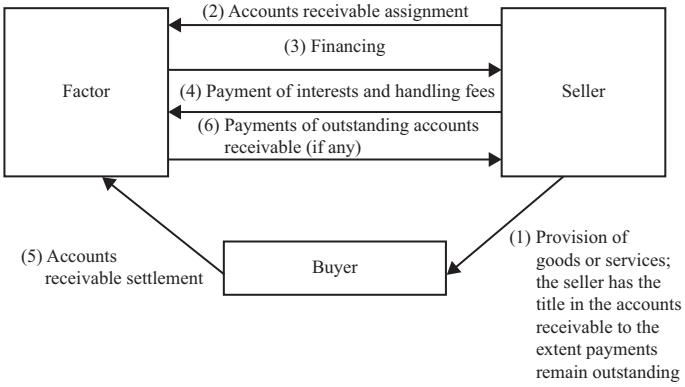
Factoring

We began to provide factoring services to expand our product offerings in November 2014. In 2016, 2017 and 2018, our factoring income was RMB87.3 million, RMB359.8 million and RMB473.5 million, respectively, representing 2.8%, 8.9% and 8.9%, respectively, of our total revenue.

A typical factoring transaction involves three parties, namely the seller, the factor, and the buyer. A buyer has an obligation to pay an amount to the seller under a contract. In a factoring transaction

between the seller and us, the seller sells the accounts receivable to us for financing, and we obtain the right to receive the payments from the buyer. We determine the price to purchase accounts receivable from the seller based on various factors, including the seller's risk profile and creditworthiness, market interest rates, our funding costs and the commercial negotiations with the seller.

The following chart shows the relationships among the seller, the buyer and the factor:



Factoring can be categorized into factoring with recourse and factoring without recourse. We generally enter into factoring transactions with recourse, where the seller unconditionally undertakes to repurchase all or part of the factored accounts receivable from us on demand under certain circumstances (including but are not limited to, a default by the buyer to pay the factored accounts receivable or a dispute arising between the buyer and the seller). Factoring can also be categorized into factoring with notification and factoring without notification. We generally enter into factoring transactions with notification, where the buyer is notified of the factoring arrangements between the seller and us, as the factor, before we provide financing to the seller.

We provide factoring to companies in various industries, including transportation & logistics, industrials, infrastructure and construction & real estate. In January 2017, we launched our online factoring services to meet the small-amount financing needs of small and medium logistics companies. We review freight bills submitted by logistics companies through our online platforms, which enables us to provide them with accounts receivable financing faster.

Entrusted Loans and Other Loans

We began to provide entrusted loans in the PRC in 2015. In 2016, 2017 and 2018, our entrusted loan and other loan income was RMB42.0 million, RMB61.8 million and RMB74.0 million, respectively, accounting for 1.3%, 1.6% and 1.4%, respectively, of our total revenue.

We provide entrusted loans to customers with strong credit strength to satisfy their financing needs, including existing customers of our financial leasing business and new customers specifically for entrusted loans. Providing entrusted loans enables us to expand our revenue sources and increase customer loyalty. We, as the trustor, provide funds to qualified financial institutions acting as the trustee. The trustee in turn lends the money to our customers under the terms we specify, such as the loan amount, use of proceeds, maturity, and interest rate. The trustee is also responsible for collecting the payments for us.

We determine the amount, applicable interest rate and other key terms of entrusted loans based on the customers' repayment ability, financing needs and the intended use of loan proceeds. During the Track Record Period, most of our entrusted loans were secured loans with a tenor of less than three

years. During the Track Record Period, we primarily provided entrusted loans to customers in the transportation & logistics, industrials, infrastructure and construction & real estate.

During the Track Record Period, we maintained robust entrusted loan assets. As of December 31, 2016 and 2017 and 2018, there was no NPA in our entrusted loans.

Advisory Services

We provide advisory services primarily to our financial leasing and factoring customers. During the Track Record Period, our advisory services continued to expand as our overall business developed and our customer base grew. In 2016, 2017 and 2018, our service fee income was RMB723.8 million, RMB853.4 million and RMB912.0 million, respectively, representing 22.9%, 21.1% and 17.0%, respectively, of our total revenue.

We tailor the scope of our advisory services to meet customer needs. The scope of our advisory services generally covers:

- ***Leasing transaction structure:*** basics of leasing transaction structure;
- ***Financial leasing know-how and market developments:*** basics of financial leasing transactions, the leasing market dynamics, and analysis regarding innovative leasing products and relevant government policies;
- ***Finance:*** accounting treatment and tax matters typically involved in financial leasing transactions;
- ***Macro-economy and strategy:*** analysis of domestic and international macroeconomic trend, significant government policies and market trend; and
- ***Industry analysis:*** analysis of the conditions, government policies and market dynamics of the industries in which our customers operate, including, but are not limited to, energy and environmental protection, education, health care, construction, electronic, machinery, and the chemical industry.

Our advisory service team generally comprises personnel with rich industry expertise and practical experience. Our advisory service team conducts field study and interviews with our customers to collect information about the customers and the industries in which they operate and conducts researches based on such information. We closely communicate with our customers throughout the term of our advisory services and deliver written research reports to our customers at the end of our advisory services. We may also present our researches in the form of training sessions, seminars or meetings based on the request of our customers.

We sign advisory service agreements with our customers and charge service fees for our advisory services. The amount of advisory fees we charge may vary depending on a variety of factors, such as: (i) the scope of the advisory services; (ii) the importance of our advisory services to our customers; (iii) our relationships with our customers; and (iv) the importance of our customers to our businesses in general.

Industry Analysis

We serve customers in a wide range of industries, including transportation & logistics, industrials, infrastructure, construction & real estate, health care, chemical and education industry.

When we determine the industry classification of the individual transactions with our customers, we generally make reference to the general industry guidelines issued by competent authorities and our classification may involve our judgment based on the nature of the transactions between the customers and us.

During the Track Record Period, our revenue consisted primarily of interest income generated from financial leasing, factoring, entrusted loans and other loans, and our interest-earning assets comprised finance lease receivables, factoring receivables, entrusted loans and other loans.

The following table sets forth the breakdown of the balance of our interest-earning assets by industry as of the dates indicated:

	As of December 31,					
	2016		2017		2018	
	Amount	% of total	Amount	% of total	Amount	% of total
	(RMB in millions, except percentages)					
Transportation & logistics	8,876.0	20.9%	15,668.9	27.6%	26,080.2	36.9%
Industrials[1]	6,848.2	16.1%	10,040.9	17.7%	12,634.7	17.9%
Infrastructure	10,422.9	24.5%	11,875.1	20.9%	10,815.4	15.3%
Construction & real estate	2,920.0	6.9%	6,557.8	11.5%	6,720.9	9.5%
Health care	3,492.6	8.2%	2,947.8	5.2%	3,509.1	5.0%
Chemical industry	2,212.2	5.2%	1,471.3	2.6%	1,249.0	1.8%
Education	4,477.2	10.5%	2,095.1	3.7%	724.7	1.0%
Others[2]	3,262.4	7.7%	6,177.0	10.9%	8,859.8	12.6%
Total interest-earning assets	**42,511.5**	**100.0%**	**56,833.9**	**100.0%**	**70,593.9**	**100.0%**

(1) Consists primarily of (i) manufacturing, (ii) new energy and clean energy, and (iii) information transmission, software and IT services.
(2) Consists primarily of (i) paper and printing, (ii) agriculture, (iii) food, (iv) mining, (v) wholesale and retail, and (vi) textile.

The following table sets forth the breakdown of our total revenue by industry for the periods indicated:

	For the year ended December 31,					
	2016		2017		2018	
	Amount	% of total	Amount	% of total	Amount	% of total
	(RMB in millions, except percentages)					
Transportation & logistics	535.7	16.9%	1,211.0	30.0%	1,935.8	36.3%
Industrials[1]	449.9	14.2%	672.1	16.7%	933.8	17.5%
Infrastructure	566.4	17.9%	766.1	19.0%	885.4	16.6%
Construction & real estate	245.4	7.8%	387.5	9.6%	574.1	10.8%
Health care	368.4	11.6%	280.7	7.0%	274.6	5.1%
Chemical industry	123.5	3.9%	105.6	2.6%	79.7	1.5%
Education	652.1	20.6%	309.3	7.7%	128.1	2.4%
Others[2]	222.4	7.0%	304.5	7.5%	520.9	9.8%
Total revenue	**3,163.7**	**100.0%**	**4,036.8**	**100.0%**	**5,332.3**	**100.0%**

(1) Consists primarily of (i) manufacturing, (ii) new energy and clean energy, and (iii) information transmission, software and IT services.
(2) Consists primarily of (i) paper and printing, (ii) agriculture, (iii) food, (iv) mining, (v) wholesale and retail, and (vi) textile.

In September 2014, the State Council issued the Opinions on Strengthening the Administration of Local Government Debt ("Opinion No. 43"). Opinion No. 43 provides requirements including, among others:

(i) local governments shall strengthen their debt management and engage in debt financing activities in compliance with laws and regulations; local governments' debts shall only be

borrowed by government agencies or departments and may not be borrowed through any enterprises or public institutions;

(ii) local governments' debts are to be limited by approved quotas and are subject to local governments' fiscal budget management; local governments shall implement stringent requirements on the procedures for debt financing and the use of the funds raised in such debt financing; local governments' debt financing plans within the applicable regional quotas approved by the State Council shall be reported to the local people's congresses or their respective standing committees for approval; and

(iii) local governments shall deal with their existing debts in an appropriate manner.

After the publication of Opinion No. 43, in order to protect our rights as a creditor, we closely monitor the development of applicable government policies on financing services to governments in the public services sector and took a prudent approach to conduct business with local government agencies. With respect to the finance lease contracts that we entered into after the publication of Opinion No. 43 with local government agencies as the sole lessee under the respective contract, we had obtained from such government agencies the documents issued by the standing committees of the corresponding people's congresses at the local level (the bodies that have the power to review and approve local government fiscal budgets) confirming that the funds used to repay the obligations under the relevant finance lease contracts are covered by the relevant local governments' fiscal budgets. We had further ceased to provide new financing to local government agencies since 2016.

According to Opinion No. 43 and the Notice on Further Regulating Debt Incurrence by Local Governments ("Notice No. 50"), jointly issued by MOF, NDRC, the Ministry of Justice, PBOC, CBRC, and CSRC in April 2017, the pre-existing local government debts are not required to be terminated, and local governments should, in compliance with Opinion No. 43, repay their debts following market practices and in accordance with contract terms. Furthermore, local governments may not unilaterally alter the original creditor-debtor relationships or assign their debt servicing obligations to other parties or evade their obligations. Opinion No. 43 and Notice No. 50 require provincial governments to urge and supervise relevant governmental departments and government agencies at municipal and county levels to negotiate on a fair basis with private sector financing providers and amend the contract terms and to rectify their financing arrangements that are not in compliance with applicable laws and regulations.

As of December 31, 2016, 2017 and 2018, we had 197, 140 and 84 outstanding finance lease contracts, respectively, with local government agencies that were subject to the restrictions under Opinion No. 43, with aggregate contract value of RMB12,069.3 million, RMB8,912.6 million and RMB5,450.3 million, respectively, and aggregate outstanding principal and interest payments of RMB5,420.3 million, RMB2,514.8 million and RMB1,334.6 million, respectively.

Since the publication of Opinion No. 43 and up to December 31, 2018, 138 finance lease contracts between us and local government agencies had been terminated, with a total contract amount of RMB9,459.9 million. Had these finance lease contracts not been terminated, in 2016, 2017 and 2018, we would have generated additional revenue of RMB16.3 million, RMB107.2 million and RMB88.0 million, respectively, from these finance lease contracts, assuming that all lease payment conditions remained unchanged.

As of the Latest Practicable Date, out of the 84 finance lease contracts we had with local government agencies as of December 31, 2018, 7 contracts were fully performed and expired. With respect to the remaining 77 finance lease contracts, as of the Latest Practicable Date, the local

governments have been performing their obligations to repay us principal and interest pursuant to the lease contracts and have not requested to terminate contracts or make repayments before the expiry of the contracts. For these 77 outstanding contracts, if local government agencies request to terminate their contracts with us based on their respective funding resources, we will cooperate and negotiate with such local government agencies on the arrangements for relevant contracts in accordance with applicable laws and regulations. If these 77 outstanding finance lease contracts are terminated, we expect we will be able to recover the principal amounts and allocate the funds to other financing projects, and, as a result, we believe that the termination of these 77 finance lease contracts will not have a material adverse effect on our financial position.

Transportation & Logistics

We offer financial leasing, operating leasing, factoring, entrusted loans and other loans, as well as advisory services to our transportation & logistics customers. For the year ended December 31, 2018, the revenue from these services accounted for 71.2%, 9.0%, 3.0%, 0.2% and 16.5%, respectively, of the revenue from our transportation & logistics business. During the Track Record Period, we continued to grow our transportation & logistics business to grasp the opportunities presented by China's fast-growing automobile leasing industry. For information about our aircraft operating leasing services, see "— Principal Products and Services — Operating Leasing."

Our transportation & logistics business grew rapidly in recent years. In 2016, 2017 and 2018, the revenue from our transportation & logistics business was RMB535.7 million, RMB1,211.0 million and RMB1,935.8 million, respectively, representing a CAGR of 90.1%. As of December 31, 2016, 2017 and 2018, the interest-earning assets attributable to our transportation & logistics business were RMB8,876.0 million, RMB15,668.9 million and RMB26,080.2 million, respectively, representing a CAGR of 71.4%.

Commercial Vehicle Leasing

We lease commercial vehicles, primarily heavy trucks, to private business owners and micro- and small-sized logistics companies. Our commercial vehicle leasing business grew rapidly in recent years. As of December 31, 2016, 2017 and 2018, the number of our leased commercial vehicles was approximately 17,900, 34,300 and 43,400, respectively, representing a CAGR of 55.7%, and the number of our commercial vehicle leasing customers was approximately 14,600, 29,500 and 40,100, respectively, representing a CAGR of 65.7%. We strive to provide our customers with faster and more accessible commercial vehicle financing services by using standardized due diligence and credit review processes and standard form leasing contracts. We adopt localized marketing strategies to promote our commercial vehicle financial leasing services through our local sale teams covering 22 provinces across the country.

Passenger Vehicle Leasing

We provide financial leasing for passenger vehicles to retail customers and to corporate customers to meet their financing needs for group purchases of passenger vehicles. As of December 31, 2016, 2017 and 2018, the number of our leased passenger vehicles was approximately 44,900, 101,300 and 198,600, respectively, and the number of our passenger vehicle customers was approximately 44,500, 98,200 and 193,800, respectively. We market our passenger vehicle financial leasing business primarily through authorized service providers across the country. We enter into agency arrangements with service providers, pursuant to which service providers are responsible for

cooperating with local auto dealers and 4S stores to market our financial leasing services to individual automobile owners. The service providers are also responsible for assisting us in accepting customer applications, conducting on-site contract signing and handling mortgage registration. As of December 31, 2018, we maintained cooperation relationships with approximately 380 service providers.

In response to the rapid development of Internet, we launched our Internet-based online leasing product through a mobile application in 2015. We provide financing in the form of sale-and-leaseback of passenger vehicles to customers who are owners of automobiles with good credit. In 2016, 2017 and 2018, the number of our online passenger vehicle leasing contracts was approximately 1,360, 1,630 and 12,080, respectively, with an aggregate contract value of approximately RMB113.0 million, RMB225.8 million and RMB1,588.1 million, respectively. We market this product through cross-selling with Haitong Securities, our branch network and third party agents. For details of cross-selling between us and Haitong Securities, see "— Marketing."

Modern Logistics

We began to provide financial services to modern logistics enterprises in 2015 to complement our commercial and passenger vehicle leasing services. We provide financial leasing, factoring, entrusted loans and advisory services to customers in the modern logistics supply chain and upstream and downstream sectors of the auto industry. The equipment we lease to modern logistics customers include automobiles, general storage and cold storage facilities and automated parking systems.

Industrials

We are committed to serving China's real economy in accordance with Chinese government's economic and industrial policies, such as the supply-side structural reform and the "Made in China 2025" initiative. We offer diversified financing services for industrial sector customers to finance their equipment purchases and provide liquidity for their fixed assets. In 2016, 2017 and 2018, our revenue from our industrial sector business was RMB449.9 million, RMB672.1 million and RMB933.8 million, respectively, accounting for 14.2%, 16.7% and 17.5%, respectively, of our total revenue. As of December 31, 2016, 2017 and 2018, the interest-earning assets attributable to industrial sector business were RMB6,848.2 million, RMB10,040.9 million and RMB12,634.7 million, respectively, accounting for 16.1%, 17.7% and 17.9%, respectively, of our total interest-earning assets.

The services we provide to industrial customers are primarily financial leasing, and the equipment we lease to such customers mainly include various types of production, communication and environmental protection equipment. We also provide industrial customers with factoring, entrusted loans and advisory services. For the year ended December 31, 2018, the revenue from financial leasing, factoring, entrusted loans and advisory services accounted for 81.1%, 6.0%, 0.5% and 12.4%, respectively, of the revenue from our industrial business.

During the Track Record Period, we provided financial services for approximately 10,347 industrial customers. We serve customers across a wide range of industrial sectors, including high-end manufacturing, clean energy, automobile manufacturing, new materials, consumer electronics, and communication technologies. We target customers with growth potentials and access to the capital markets, as well as customers operating in industries encouraged by government policies. Our industrial customers consist primarily of large- and medium-sized SOEs at central and local levels, listed companies, and innovative privately-owned enterprises engaging in manufacturing and emerging strategic industries.

We are a founding member of the Haitong Data Industry Alliance (海通數據產業聯盟) (formerly the IDC Internet Big Data Industry Alliance) and the Listed Companies Development and Innovation Industry Alliance (上市公司發展創新產業聯盟). In May 2017, we entered into a cooperation framework agreement with China Chamber of Commerce for Import and Export of Machinery and Electronic Products (CCCME) in respect of the joint establishment of the CCCME Public-Private Partnership Promotion Center (中國機電商會政府和社會資本合作促進中心). These industry alliances have over 30 member companies covering a wide range of industries, including smart cities, big data, energy conservation, environmental protection, municipal governance, medical care and tourism. We assist member companies in the bidding of large projects and provide them with financial leasing services after they win the bid. We plan to continue to promote cooperation and resource sharing among member companies of these industry alliances to further grow our business in emerging industrial sectors.

Infrastructure

We provide financing services to enterprises engaging in the development and operation of transportation (such as civil aviation, highways, ports, and urban and intercity public transit), urban, water, environmental and energy infrastructure. Our infrastructure business grew rapidly during the Track Record Period. In 2016, 2017 and 2018, the revenue from our infrastructure business was RMB566.4 million, RMB766.1 million and RMB885.4 million, respectively, representing 17.9%, 19.0% and 16.6%, respectively, of our total revenue. As of December 31, 2016, 2017 and 2018, the interest-earning assets attributable to our infrastructure business were RMB10,422.9 million, RMB11,875.1 million and RMB10,815.4 million, respectively.

We provide financing to our infrastructure customers primarily through financial leases. We also provide our infrastructure customers with factoring, entrusted loans and advisory services. For the year ended December 31, 2018, the revenue from our financial leasing, factoring, entrusted loans and advisory services represented 85.7%, 6.6%, 0.3% and 7.4%, respectively, of the revenue from our infrastructure business.

We have a large, established infrastructure customer base. We are committed to providing infrastructure customers with diversified financial solutions by leveraging our extensive experience and high-quality services. As of December 31, 2018, we had 68 infrastructure customers in the PRC.

We take a proactive approach to provide financing services to the participating parties in public-private partnerships (PPPs) which are led by local government for infrastructure development and maintenance projects. PPPs refer to the long-term cooperative arrangements between private investors and government agencies which are widely used for infrastructure and public services projects. As PPPs are used for large infrastructure projects and usually generate stable cash flows over a long term, we plan to provide the project company and other project participants with financial leasing, factoring and entrusted loans. In December 2017, we, together with Xiamen Anneng Construction Co., Ltd., won the bids for two PPP projects, namely Longyao County Zhihe Water System Project (隆堯縣泜河水系連通項目) and Longyao County Zhihe Riverside Park Landscape Project (隆堯縣泜河濱水公園景觀工程). In addition, in May, July and August 2018, we have established subsidiaries in Shandong Province, Shanghai and Hebei Province, respectively, which are focused on providing financing services to government-led public facilities, road, housing and hydroelectricity projects under PPP and government procurement models.

In addition, we seek to offer financial leasing and factoring services to companies which are a party to government procurement arrangements. Government procurement arrangements refer to the

arrangements between government agencies and qualified private enterprises, pursuant to which the government agencies engage such enterprises to provide certain public services and pay for such services within the government agencies' fiscal budgets. For example, we provided factoring services to an enterprise participating in a government-sponsored housing project in Zengcheng, Guangdong Province.

Construction & Real Estate

We provide financial services to enterprises engaging in the construction of transportation facilities, industrial buildings, residential housing and public service facilities, as well as real estate enterprises. In 2016, 2017 and 2018, the revenue from our construction & real estate business was RMB245.4 million, RMB387.5 million and RMB574.1 million, respectively, accounting for 7.8%, 9.6% and 10.8%, respectively, of our total revenue. As of December 31, 2016, 2017 and 2018, the interest-earning assets attributable to our construction & real estate business were RMB2,920.0 million, RMB6,557.8 million and RMB6,720.9 million, respectively, accounting for 6.9%, 11.5% and 9.5%, respectively, of our total interest-earning assets.

We provide financial leasing to construction enterprises. The equipment we lease to construction customers primarily include various construction equipment, such as tower cranes, bulldozers, and excavators. Our construction enterprise customers are mostly SOEs at central and local levels and listed companies with annual revenue of RMB2.0 billion or more, most of which have top-grade or first-grade qualifications for engineering and construction.

We also provide financial leasing services to real estate enterprises. The equipment we lease to real estate enterprises include all types of property management facilities, temperature control equipment and monitoring equipment (such as parking equipment, ground-source heat pump, and ventilation system) used in real estate projects. We primarily target real estate enterprises with sound credit status. As of December 31, 2018, over half of our real estate enterprise customers were among the real estate enterprises groups in the 2018 Top 100 China Real Estate Enterprises List ("2018中國房地產百強企業名單").

In addition to financial leasing, we also offer factoring, entrusted loans and other loans, as well as advisory services to our construction & real estate customers. For the year ended December 31, 2018, the revenue from financial leasing, factoring, entrusted loans and other loans, and advisory services accounted for 36.8%, 30.8%, 2.8% and 29.6%, respectively, of the revenue from our construction & real estate business.

Health Care

We provide financial services to various types of general and special hospitals, health care enterprises and local bureaus of health care. In 2016, 2017 and 2018, the revenue from our health care business was RMB368.4 million, RMB280.7 million and RMB274.6 million, respectively, representing 11.6%, 7.0% and 5.1%, respectively, of our total revenue. As of December 31, 2016, 2017 and 2018, the interest-earning assets attributable to our health care business were RMB3,492.6 million, RMB2,947.8 million and RMB3,509.1 million, respectively, representing 8.2%, 5.2% and 5.0%, respectively, of our total interest-earning assets.

The services we provide to health care customers are primarily financial leasing services, and the equipment we lease to these customers primarily include medical imaging systems, medical

examination equipment, and disinfection equipment. We also provide our health care customers with factoring and advisory services. For the year ended December 31, 2018, the revenue from financial leasing, factoring, entrusted loans and advisory services accounted for 80.0%, 2.8%, 0.3% and 16.9%, respectively, of the revenue from our health care business.

Our health care customers currently consist primarily of public hospitals. As of December 31, 2018, we had 191 public hospital customers, representing approximately 76.4% of the total number of our health care customers. We plan to continually seek to expand our health care customer base to capture opportunities presented by the increasing market demands for customized, high-end health care services. We plan to continue to focus on providing financing to public and private hospitals, as well as clinics, to meet their financing needs related to medical equipment procurement, working capital and facility construction. At the same time, we also plan to provide innovative financing services and products to emerging customers such as imaging and diagnostic centers, rehabilitation centers, medical examination centers, ophthalmology clinics, as well as providers of supply, processing and distribution services. In addition, through our branch network, we seek to provide financing to strategically-selected customers, including dental clinics, private hospitals and high-end health care providers, that have sound credit record and growth potentials to support their business expansion and equipment upgrades.

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

Chemical Industry

We provide financial leasing, factoring, entrusted loans and advisory services to chemical enterprises. Our chemical enterprise customers mainly include central and local SOEs and other large, creditworthy chemical enterprises operating in a wide array of chemical sectors, such as salt chemicals, alkali chemicals, petrochemical, fine chemicals and household chemicals. For the year ended December 31, 2018, the revenue from financial leasing, factoring and advisory services accounted for 58.4%, 24.5% and 17.1%, respectively, of the revenue from our chemical industry business.

In recent years, the Chinese government has promulgated a series of policies and guidelines with a view to curbing overcapacity in chemical and certain other industries. In this context, we primarily target creditworthy chemical enterprises and seek to grow our chemical industry business in a prudent manner. In 2016, 2017 and 2018, the revenue from our chemical industry business was RMB123.5 million, RMB105.6 million and RMB79.7 million, respectively, representing 3.9%, 2.6% and 1.5%, respectively, of our total revenue. As of December 31, 2016, 2017 and 2018, the interest-earning assets attributable to our chemical industry business were RMB2,212.2 million, RMB1,471.3 million and RMB1,249.0 million, respectively, representing 5.2%, 2.6% and 1.8%, respectively, of our total interest-earning assets.

Education

We provide financial leasing and advisory services to public schools, quality private schools, and bureaus of education at local levels. In 2016, 2017 and 2018, our revenue from the education industry was RMB652.1 million, RMB309.3 million and RMB128.1 million, respectively, representing 20.6%, 7.7% and 2.4%, respectively, of our total revenue. As of December 31, 2016, 2017 and 2018, the

interest-earning assets attributable to our customers in the education industry were RMB4,477.2 million, RMB2,095.1 million and RMB724.7 million, respectively, representing 10.5%, 3.7% and 1.0%, respectively, of our total interest-earning assets.

During the Track Record Period, all the services we provided to customers in the education industry were financial leasing services. We provide financial services to customers in the education industry primarily through sale-and-leaseback transactions, and the equipment we lease to such customers primarily includes IT equipment, laboratory equipment, and practical training equipment.

Other Industries

In addition to serving the above industries, we also provide financial leasing, factoring, entrusted loans and advisory services to customers in other industries, such as paper and printing, agriculture, food, mining, wholesale and retail, and textile. In 2016, 2017 and 2018, the revenue from these industries was RMB222.4 million, RMB304.5 million and RMB520.9 million, respectively, accounting for 7.0%, 7.5% and 9.8%, respectively, of our total revenue. As of December 31, 2016, 2017 and 2018, the interest-earning assets attributable to our business in these industries were RMB3,262.4 million and RMB6,177.0 million and RMB8,859.8 million, respectively, accounting for 7.7% and 10.9% and 12.6%, respectively, of our total interest-earning assets.

CUSTOMER BASE

We have a diverse customer base that includes local government agencies, large corporation groups and industry-leading companies as well as a large number of MSEs and individuals. As of December 31, 2018, we had 64 government customers, 13,683 corporate customers and 241,717 retail customers.

We adopt a customer development strategy with a view to developing a balanced customer base. We are strategically focused on developing and maintaining relationships with Government & LME customers for sourcing large projects. We also continually develop MSE & Retail customers, which brings new profit opportunities.

We define an MSE customer as an enterprise with an annual revenue of RMB100 million or less with a maximum net financing amount of RMB5 million under any single contract with us. LME customers refer to enterprise customers other than those classified as MSE customers.

The following table sets forth the breakdown of our total revenue by customer type for the periods indicated:

	For the year ended December 31,					
	2016		2017		2018	
	Amount	% of total	Amount	% of total	Amount	% of total
	(RMB in millions, except percentages)					
Government & LME customers[1]	2,593.5	82.0%	2,826.3	70.0%	3,300.2	61.9%
MSE & Retail customers	570.2	18.0%	1,210.5	30.0%	2,032.1	38.1%
Total revenue	**3,163.7**	**100.0%**	**4,036.8**	**100.0%**	**5,332.3**	**100.0%**

(1) Includes revenue from our aircraft leasing business.

The following table sets forth the breakdown of the balance of our interest-earning assets by customer type as of the dates indicated:

	As of December 31,					
	2016		2017		2018	
	Amount	% of total	Amount	% of total	Amount	% of total
	(RMB in millions, except percentages)					
Government & LME customers[1]	34,191.6	80.4%	40,659.3	71.5%	42,280.6	59.9%
MSE & Retail customers	8,319.9	19.6%	16,174.6	28.5%	28,313.2	40.1%
Total interest-earning assets	**42,511.5**	**100.0%**	**56,833.9**	**100.0%**	**70,593.9**	**100.0%**

(1) Excludes receivables attributable to aircraft leasing business.

The following table sets forth the average balance of interest-earning assets, interest income and average yields attributable to Government & LME customers and MSE & Retail customers for the periods indicated:

	For the year ended December 31,								
	2016			2017			2018		
	Average balance of interest-earning assets[1]	Interest income[2]	Average yield[3]	Average balance of interest-earning Asset[1]	Interest income[2]	Average yield[3]	Average balance of interest-earning Asset[1]	Interest income[2]	Average yield[3]
	(RMB in millions, except percentages)								
Government & LME customers	30,737.5	2,111.8	6.87%	36,108.7	2,238.4	6.20%	41,334.3	2,526.5	6.11%
MSE & Retail customers	4,950.8	320.8	6.48%	12,102.4	859.0	7.10%	22,401.6	1,719.5	7.68%
Total	**35,688.3**	**2,432.6**	**6.82%**	**48,211.1**	**3,097.4**	**6.42%**	**63,735.9**	**4,245.9**	**6.66%**

(1) Interest-earning assets consist of finance lease receivables, factoring receivables, entrusted loans and other loans for each category of customers. Average balance of interest-earning assets for 2016, 2017 and 2018 is the average of the balance amounts of interest-earning assets as of December 31 of the preceding year, June 30 of the current year and December 31 of the current year.

(2) Interest income is the sum of (i) finance lease income, (ii) factoring income, and (iii) entrusted loan and other loan income for each category of customers.

(3) Calculated by dividing interest income by the average balance of interest-earning assets for each category of customers.

The decrease in the average yield for Government & LME customers from 2016 to 2018 was primarily due to the lower interest rate level we charged large enterprises attributable to the intensified market competition and the strong bargaining power of such customers.

Government & LME Customers

We have a broad Government & LME customer base. As of December 31, 2016, 2017 and 2018, the number of our government customers was 136, 96 and 64, respectively. As of the same dates, the number of our LME customers was 774, 639 and 682, respectively. The decrease in the number of our government customers was primarily due to Opinion No. 43 which imposes restrictions on local governments' financing activities, and the decrease in the number of our LME customers was primarily due to the more selective standards we have adopted in developing LME customers. During the Track Record Period, we continued to increase our marketing efforts toward large financing projects and high-quality, large-sized enterprises in accordance with the Chinese government's economic and industrial policies, such as the supply-side structural reform, the Belt and Road initiatives and the "Made in China 2025" strategy. We primarily target creditworthy Government & LME customers with strong repayment capability, such as central and local SOEs, listed companies, companies applying for listing as well as other enterprises with growth potentials.

The following table sets forth the number of our Government & LME customers as of the dates indicated:

	As of December 31,					
	2016		2017		2018	
	Number	% of total	Amount	% of total	Amount	% of total
Government customers	136	14.9%	96	13.1%	64	8.6%
LME customers						
Listed companies	58	6.4%	88	12.0%	127	17.0%
Private companies	716	78.7%	551	75.0%	555	74.4%
Subtotal	774	85.1%	639	86.9%	682	91.4%
Total	**910**	**100.0%**	**735**	**100.0%**	**746**	**100.0%**

The following table sets forth details of the interest-earning assets attributable to our Government & LME customers as of the dates indicated:

	As of December 31,					
	2016		2017		2018	
	Amount	% of total	Amount	% of total	Amount	% of total
	(RMB in millions, except percentages)					
Government customers	4,784.2	14.0%	2,278.9	5.6%	792.9	1.9%
LME customers						
Listed companies	5,598.1	16.4%	9,677.1	23.8%	9,942.0	23.5%
Private companies	23,809.3	69.6%	28,703.3	70.6%	31,545.7	74.6%
Subtotal	29,407.3	86.0%	38,380.4	94.4%	41,487.7	98.1%
Total	**34,191.6**	**100.0%**	**40,659.3**	**100.0%**	**42,280.6**	**100.0%**

We strive to maintain stable, long-term cooperation relationships with our Government & LME customers through providing customized, high-quality services. As of December 31, 2018, we maintained cooperation relationships for more than five years with approximately 879 Government & LME customers. As of the same date, we had approximately 163 Government & LME customers that had entered into three or above financing transactions with us.

We maintained sound quality of the assets relating to our Government & LME business during the Track Record Period. As of December 31, 2016, 2017 and 2018, the NPA ratio of the interest-earning assets attributable to our Government & LME business was 1.04%, 0.92% and 0.88%, respectively.

MSE & Retail Customers

We have been strategically cultivating our business with MSE & Retail customers for more than ten years and have gained rich experience, which enables us to maintain long-term and stable relationships with our MSE customers. In 2014, we established a unit which later became our MSE Business Department focusing on providing financial services to quality MSEs that benefit from China's ongoing economic transformation.

Our MSE customers are primarily from the industrials, transportation & logistics and health care industries. As of December 31, 2016, 2017 and 2018, the number of our MSE customers was 2,526, 8,573 and 13,001, respectively. Financial leasing, factoring and advisory services are the main types of services we provide to our MSE customers. In 2016, 2017 and 2018, the revenue from our MSE business was RMB121.0 million, RMB244.9 million and RMB456.5 million, respectively, accounting for 3.8%, 6.1% and 8.6%, respectively, of our total revenue, and the interest-earning assets attributable to our MSE business were RMB1,432.3 million, RMB3,119.0 million and RMB4,605.5 million, respectively.

We have a large and fast-growing retail customer base. As of December 31, 2016, 2017 and 2018, the number of our retail customers was 60,116, 124,475 and 241,717, respectively. The services

we provide to our retail customers are mainly financial leasing services for commercial and passenger vehicles. In 2016, 2017 and 2018, the revenue from our business with retail customers was RMB449.2 million, RMB965.6 million and RMB1,575.6 million, respectively, accounting for 14.2%, 23.9% and 29.5%, respectively, of our total revenue. As of December 31, 2016, 2017 and 2018, the finance lease receivables attributable to our retail business were RMB6,887.6 million, RMB13,055.6 million and RMB23,707.7 million, respectively, representing a CAGR of 85.5%.

We have established a separate set of risk management rules and procedures for MSE & Retail customers, including differentiated credit review guidelines, credit rating scorecards and supplier selection standards. For details, see "Risk Management — Credit Risk Management — Risk Management for MSE Customers" and "Risk Management — Credit Risk Management — Risk Management of Commercial and Passenger Vehicle Leasing Business."

During the Track Record Period, we maintained a high return rate and sound asset quality for our MSE & Retail business. As of December 31, 2016, 2017 and 2018, the NPA ratio of the interest-earning assets attributable to our MSE & Retail business was 1.38%, 0.97% and 1.02%, respectively.

MARKETING

We have established a two-tiered marketing structure. We implement a "One Body, Two Wings" business development strategy, pursuant to which we have built up expertise in strategically-targeted industries and customer segments with our six specialized business departments at the headquarters. On the other hand, we have efficiently established a branch network to serve local customers and to deepen our presence in local markets.

The business departments at the headquarters level are one of the "two wings." These business departments include:

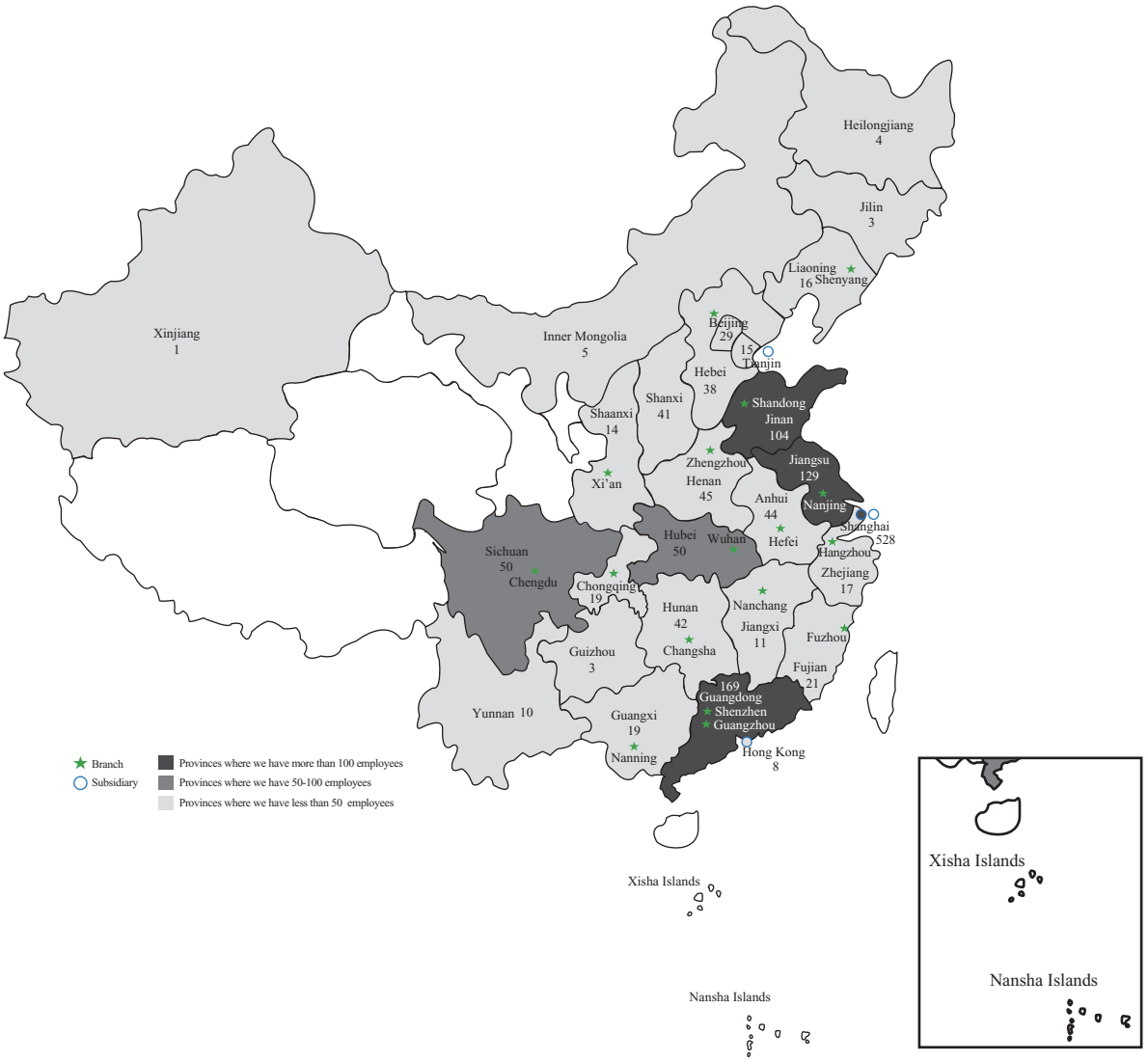
- *Four departments focusing on specific industries and customer segments:* including the Industrials Department, Public Services Department, Construction Department and Health Care Business Department;

- *MSE Business Department:* focused on serving MSE & Retail customers; and

- *Institutional & Internet Channel Development Department:* focused on cross-selling with other financial service providers and the development of Internet-based products and innovative financial services.

Our branch network is the other wing of our marketing structure. Our branches are at the core of our branch network. Since the beginning of 2016, we strategically started to establish branches in directly-controlled municipalities and provincial capitals, and in other cities in economically-developed areas. We believe we have a leading position in terms of local branch network in the PRC financial leasing industry. As of the Latest Practicable Date, we have established 17 branches in Beijing, Henan, Guangdong, Zhejiang, Fujian, Sichuan, Liaoning, Shandong, Hubei, Anhui, Hunan, Guangxi, Jiangsu, Shaanxi, Chongqing and Jiangxi. We plan to establish at least three new branches and sub-branches in 2019. Our branch network also encompasses seven directly-held subsidiaries in areas including Hong Kong, Tianjin, Shandong, Hebei and Shanghai as of the Latest Practicable Date. Our localized branch network enables us to have wider market coverage, respond to customer demands more quickly, and capture local business opportunities more effectively.

The following map shows the geographic distribution of our local teams as of December 31, 2018:



We actively seek opportunities for cross-selling and coordinated marketing with Haitong Securities, our controlling shareholder, as a key part of our marketing strategies. As Haitong Securities' sole leasing platform, we benefit from cross-selling with our controlling shareholder as it enables us to improve customer loyalty. We share customer and industry information with Haitong Securities in order to improve our marketing efficiency. For example, we market our Internet-based product on the online customer service platform of Haitong Securities. We also seek to develop quality customers, through Haitong Securities' referrals, from its customers base for its various business lines, such as equity and bond underwriting, merger & acquisition and restructuring, brokerage, and direct investment. In 2016, 2017 and 2018, the revenue attributable to customers referred by Haitong Securities was RMB437.2 million, RMB479.5 million and RMB456.3 million, respectively, accounting for 13.8%, 11.9% and 8.6%, respectively, of our total revenue.

In addition, we actively market our services through partner relationships with manufacturers, automobile dealers and agents, to capitalize on their leading positions in specific industries and regions. As of December 31, 2018, we maintained strategic partnership arrangements with 45 partners, pursuant to which, our partners are responsible for, among others, recommending our services and

products to their customers or business partners based on our demands, and assisting our due diligence investigations.

INFORMATION TECHNOLOGY

Our IT systems are integral to many aspects of our business operations. We are committed to building an IT system framework commensurate with our governance structure and business development, with a view to satisfying our current operational demands and to supporting our business growth and innovation of products and services.

Our IT systems currently include business systems, office administration systems and financial management systems. Our business systems support our entire business process, including project initiation, credit review, contract signing and asset management. Our business systems currently consist of leasing business system, MSE leasing business system, commercial vehicle business system, passenger vehicle business system, and Internet business system. Our office administration systems are mainly used to handle our internal administrative processes and external information publication. Our financial management systems are primarily used to support the management of our financial accounting, reimbursement and budget.

Advanced IT infrastructure is vital to managing all categories of risks. We use redundant systems, firewalls and terminal safeguarding solutions to protect us against threats from malicious software and programs. We also use our IT systems to monitor various risk control indicators on a continuous basis. In 2016, we launched our PBOC Enterprise Credit Program and became the first financial leasing company in the PRC which is granted access to the PBOC Enterprise Credit System through data reporting program.

We currently outsource the development and maintenance of certain IT systems to outside vendors. We mitigate the risks of leakage of confidential information and commercial secrets through various measures, such as source code control, access control, and regular assessment of the service-level agreements, or SLAs, between us and the vendors. We continually monitor key operational and financial indicators of our outsourcing vendors. We devote substantial resources each year to improve the security and stability of our IT systems. In 2016, 2017 and 2018, our capital expenditure on our IT systems was RMB7.9 million, RMB13.1 million and RMB12.3 million, respectively.

MAJOR CUSTOMERS AND SUPPLIERS

In 2016, 2017 and 2018, the revenue from our five largest customers in total accounted for less than 10% of our total revenue. To the best knowledge of our Directors, as of the Latest Practicable Date, none of our Directors, Supervisors and their respective associates or any shareholders holding more than 5.0% of the issued share capital of the Company has any interests in any of our five largest customers. See "– Customer Base" for details of our customers.

We have no major suppliers due to the nature of our business.

FINANCING CAPABILITIES

Our financing sources consist primarily of borrowings and issuance of debt securities.

During the Track Record Period, we funded our business operations through various types of borrowings, including bilateral loans, syndicated loans, income certificates issued by us and

borrowings from related parties. As of December 31, 2016, 2017 and 2018, the balance of our borrowings accounted for 69.4%, 50.8% and 44.8%, respectively, of our total liabilities. We borrow from various types of financial institutions, including policy banks, state-owned banks, joint-stock commercial banks, city commercial banks, foreign-invested banks, and other non-bank financial institutions. We also raised funds through syndicated loans. As of February 28, 2019, the outstanding amount of current bank borrowings and non-current bank borrowings was RMB16,868.4 million and RMB13,447.9 million, respectively. As of the same date, we had credit facilities of RMB73.3 billion in aggregate from 62 domestic and overseas financial institutions, approximately RMB35.0 billion of which were unutilized.

During the Track Record Period, we actively raised funds through direct financing channels, and the proportion of direct financing in our total indebtedness has continued to grow. As of December 31, 2016, 2017 and 2018, the outstanding balance of direct financing represented 20.0%, 41.0% and 48.1%, respectively, of our total indebtedness. During the Track Record Period, we conducted direct financing primarily through issuance of various types of notes, bonds, commercial papers and asset-backed securities. As of December 31, 2018, the outstanding principal amount balance of our fixed medium-term notes, asset-backed securities, short-term commercial papers, corporate bonds, perpetual medium-term notes, ultra-short-term commercial papers, asset-backed notes and private placement notes was RMB3,400 million, RMB9,040 million, RMB2,250 million, RMB3,700 million, RMB1,200 million, RMB3,000 million, RMB2,847 million and RMB3,300 million, respectively.

We are committed to optimizing our assets and liabilities portfolio, business structure and financial indicators in order to improve our corporate credit rating and lower our financing costs. Our credit rating in China was AA+ (positive outlook) in 2016 and was further upgraded to AAA in April 2017, according to Shanghai Brilliance, a well-recognized PRC rating agency. The upgrade of our corporate credit rating lays a solid foundation for further lowering our financing costs.

We manage our balance sheet by maintaining a reasonable level of asset-liability ratio. We make reasonable use of financial leverage and closely monitor our asset-liability ratio to prevent potential liquidity risks. We believe that our asset-liability ratio was maintained at a reasonable level during the Track Record Period.

We seek to expand our financing channels and lower our financing costs primarily through the following measures:

- using stringent, prudent capital budgeting systems to optimize funding continuity and maturity profiles and to mitigate liquidity risks;
- operating through streamlined capital management workflows to enhance capital efficiency;
- diversifying funding sources to ensure capital adequacy and a balanced funding mix; and
- strategically selecting a diversified group of domestic and overseas financial institutions.

We seek to effectively manage our funding sources commensurate with our business and asset growth on an ongoing basis through regular review and adjustment of our funding sources in response to the changes in our internal and external business environments. We manage liquidity risk by regularly monitoring our maturity profile of our assets and liabilities. We identify and measure the impact of interest rate changes on our business operations through sensitivity analysis and other tools and have built routine tracking and reporting systems to further enhance our research capabilities of analyzing interest environment and forecasting the changes in interest rates. See "Risk Management" and "Financial Information" sections for more details about the management of liquidity and rate risks.

COMPETITION

The PRC financial leasing market is highly competitive. According to Frost & Sullivan, an independent market researcher and consultant, there were 9,090 financial leasing companies in the PRC as of December 31, 2017. We compete primarily with financial leasing companies approved by CBRC, domestic-funded financial leasing pilot companies approved by the MOFCOM, as well as foreign-funded financial leasing companies approved by the MOFCOM excluding us. Financial leasing companies approved by CBRC generally have stronger shareholder backgrounds and greater capital strength and are the main market players in the PRC financial leasing industry.

We compete with financial institutions and other types of corporations in certain areas. For example, we compete with a wide array of financial institutions and financial service providers, such as banks, small-loan companies, consumer finance companies, and Internet finance companies, for the provision of consumer financial products. We may also face competition in the acquisitions of new aircraft, sales of aircraft and purchases of asset portfolios from domestic and foreign large- and medium-sized aircraft leasing companies, airlines, aircraft brokers and aircraft manufacturers.

See "Risk Factors—We operate in an increasingly competitive market" and "Industry Overview" for more information about the market where we operate and the competition we face.

INTELLECTUAL PROPERTY RIGHTS

We conduct our business under the name of "Haitong UniTrust." We were licensed by Haitong Securities to lawfully use the Haitong Securities logo.

As of the Latest Practicable Date, we have registered 38 and one trademark respectively, in China and Hong Kong, and four domain names in the PRC. For details, see "Appendix VI – Statutory and General Information – Further Information about our Business – Intellectual Property Rights." We do not license any of our intellectual property rights to any third parties. We have not been subject to any material infringement of our intellectual property rights or allegations of infringement by third parties during the Track Record Period.

INSURANCE

We maintain property insurance for assets underlying our leases to cover any loss or damage to such assets during the lease terms. In line with the industry practices, our customers usually pay the insurance premium and we are named as the beneficiary of such insurance.

Based on industry practices in China, our experience in running our businesses, the availability of insurance products in China and advice received from insurance agents, our Directors believe that we have maintained such insurance coverage as we consider necessary and sufficient for our operations and customary for the industry in which we operate. Moreover, our policies are subject to standard deductibles, exclusions and limitations. Therefore, insurance might not necessarily cover all losses incurred by us and we cannot provide any assurance that we will not incur losses or suffer claims beyond the limits of, or outside the relevant coverage of, our insurance policies. See "Risk Factors – Risks Relating to Our Business and Industry – We may not have adequate insurance coverage to cover potential liabilities or losses."

Our insurance policies are generally underwritten with reputable insurance providers, and we review our insurance agreements with insurers annually.

EMPLOYEES

As of December 31, 2018, we had 1,435 employees.

The following table sets forth the breakdown of our employees by function as of December 31, 2018:

	Number of employees	% of total
Senior management	8	0.6%
Principal businesses	885	61.6%
Risk management, legal and compliance	407	28.4%
Finance, accounting, treasury management and audit	55	3.8%
Administrative management	52	3.6%
Information technology	28	2.0%
Total	**1,435**	**100.0%**

The following table sets forth the breakdown of our employees by age as of December 31, 2018:

	Number of employees	% of total
30 or below	725	50.5%
31 to 40	624	43.5%
41 to 50	78	5.4%
Above 50	8	0.6%
Total	**1,435**	**100.0%**

The following table sets forth the breakdown of our employees by educational level as of December 31, 2018:

	Number of employees	% of total
Master and doctor	258	18.0%
Bachelor	797	55.5%
Junior college and others	380	26.5%
Total	**1,435**	**100.0%**

The following table sets forth the breakdown of our employees by geographic location as of December 31, 2018:

	Number of employees	% of total
Shanghai	528	36.8%
Other regions in the PRC and Hong Kong	907	63.2%
Total	**1,435**	**100.0%**

Professional and high quality employees are the foundation of our long-term growth. We are committed to building a competitive and fair remuneration and benefits system that is compatible with our position system in order to attract and retain quality personnel. In the second half of 2015, we completed the reform of our remuneration and incentive policies and adopted a promotion system comparable to the managing director hierarchy widely applied by the investment banking industry to further broaden channels for employees' promotion. Through building a multi-tiered talent pool, we

develop mechanisms to retain, select and nurture talents and to enhance the team-work spirit and loyalty of our employees. We give substantial emphasis on improving professionalism of our employees and have established an employee training system with rich contents and in diverse forms.

In accordance with applicable PRC laws and regulations, we provide our employees with basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance, maternity insurance and housing providence funds. In addition, we adopted an annuity plan for our employees in December 2017, pursuant to which we make monthly contributions to the annuity fund at fixed rates of the employees' salaries and bonuses. We also offer employees benefits such as supplemental medical insurance and annual health check-ups.

As of December 31, 2018, we engaged 25 dispatched workers through a third party human resources agency in China to perform administrative and back-office functions. According to the relevant labor dispatch contracts, the third party human resources agency is responsible for paying salaries, social insurance and housing provident funds or other employee benefits of these dispatched workers and we are mainly responsible for paying service fees to the third party human resources agency.

During the Track Record Period, there were no strikes, protests or other material labor conflicts that materially impaired our business and image. Our Company has established a labor union, and we believe we have maintained a good relationship with our employees, who are being valued at all times.

PROPERTIES

Our headquarters is located at Henderson Metropolitan, No. 300 Nanjing East Road, Huangpu District, Shanghai. As of the Latest Practicable Date, we owned one property with a gross floor area of approximately 472.3 square meters and the land use rights of one parcel of land with an area of 30.6 square meters corresponding to such property. In addition, as of December 31, 2018, we leased 91 properties in the PRC with an aggregate gross floor area of approximately 21,957.2 square meters and one property in Hong Kong Cheung Kong Center.

As of the Latest Practicable Date, there was no single property with book value accounting for 15% or above of our total assets. Accordingly, this Document is exempt from the requirement under Chapter 5 of the Hong Kong Listing Rules and section 342(1)(b) of the Companies (Winding up and Miscellaneous Provisions) Ordinance to include all interests in land or buildings in a valuation report as described under paragraph 34(2) of the Third Schedule to the Companies (Winding up and Miscellaneous Provisions) Ordinance.

Self-owned Property

As of the Latest Practicable Date, we have obtained complete and effective title certificate for the one property with a gross floor area of approximately 472.3 square meters that we owned in China. According to this title certificate, such self-owned property is obtained with the corresponding land use rights of an area of 30.6 square meters. Our PRC legal advisors confirmed that we have the legal title to such property and thus have the right to occupy, use, transfer, lease, pledge or otherwise dispose of such property.

Self-owned Land

As of the Latest Practicable Date, we owned the land use rights of one parcel of land with an area of 30.6 square meters corresponding to our self-owned property.

Leased Properties

As of December 31, 2018, we leased 91 properties in the PRC with an aggregate gross floor area of approximately 21,957.2 square meters, which were used as offices for our local teams. Among such leased properties:

- the lessors of 87 leased properties (representing approximately 93.5% of the aggregate gross floor area of our leased properties) have provided us with the building title certificates or other valid title certificates for such leased properties; and
- the lessors of four leased properties (representing approximately 6.5% of the aggregate gross floor area of our leased properties) failed to provide us with the building title certificates or other valid title documents for such leased properties or proof of lawful authorization from the owners for leasing such properties.

Under the PRC laws, if the lessor of a leased property does not own such property or cannot obtain the relevant authorization document from the property owner, such lessor is not entitled to lease such property. Our right to continue to lease such property would be affected if the lessor's title in the leased property is challenged by a third party. However, our Directors and our PRC legal advisors confirmed that the above-mentioned title defects would not materially and adversely affect our business operations because: (i) such leased properties with title defects are primarily used as offices for our local teams and we, therefore, do not have specific requirements as to the conditions of the properties; (ii) if we have to terminate the leases or relocate from such leased property with title defects, we are able to locate qualified alternative premises within a short period of time under comparable terms without incurring substantial additional costs.

In addition, our Directors are of the view that the rental costs for the four leased properties with defective title would not be materially different should the landlords obtain the relevant ownership certificates.

As of the Latest Practicable Date, we also leased one property in Hong Kong Cheung Kong Center for our office use.

LAWS AND REGULATIONS

Licensing Requirements

We conduct our business mainly in the PRC and are therefore subject to applicable PRC regulatory requirements. Our Directors and our PRC legal advisors confirmed that, during the Track Record Period and up to the Latest Practicable Date, we have complied with the relevant PRC regulatory requirements and guidelines in all material respects and, except as otherwise disclosed in "— Regulatory Non-compliance Incidents," we have obtained all the approvals, licenses and permits necessary for our operations in the PRC in accordance with the PRC laws and regulations. The approvals, licenses and permits required for our operations in the PRC primarily include enterprise business license, foreign investment enterprise approval certificate and medical equipment business operation license issued by local branches of the SAIC, MOFCOM and other PRC government agencies. The medical equipment business operation licenses held by the Company and Haitong UniTrust Financial Leasing will be valid until March 16, 2022 and June 12, 2022, respectively. Regarding other licenses and permits without expiry date, neither the licenses and permits themselves indicate any expiry dates, nor have the issuance authorities issued further instructions regarding expiry dates.

Legal Proceedings

During the Track Record Period, we were involved, from time to time, in legal proceedings arising in the ordinary course of our business. Most of these legal proceedings involve claims initiated by us to recover payment of finance lease receivables or accounts receivables from our customers. Legal proceedings against us are mainly in relation to disputes arising from the business contracts between us and our financial leasing customers or factoring customers. As of the Latest Practicable Date, we were not the defendant or arbitration respondent in any pending and material litigation or arbitration cases each with a claim amount of over RMB5.0 million.

Our Directors and PRC legal advisors confirmed that, up to the Latest Practicable Date, there were no pending or threatened legal proceedings against us or our Directors that could, individually or in aggregate, have a material adverse effect on our business, financial condition, results of operations or reputation, and none of our Directors, Supervisors or senior management was involved in any material litigations, arbitrations or administrative proceedings.

As of the Latest Practicable Date, there were below litigation that are pending, for which our claims against the respective defendants exceeded RMB100.0 million.

Dispute regarding Factoring Contract with Lingshi Yinyuan Coking Co., Ltd.

In December 2017, we entered into a factoring contract with Lingshi Yinyuan Coking Co., Ltd. ("Yinyuan"), pursuant to which Yinyuan transferred to us its accounts receivable in aggregate of RMB200 million due from Huaxi Mining Co., Ltd. under two coal purchase agreements between Yinyuan and Huaxi ("Huaxi") (the "Accounts Receivable of Yinyuan") and would pay us service fees of RMB13.6 million in four installments. According to the factoring contract, we authorized Yinyuan to act on our behalf to collect the accounts receivable from Huaxi and Yinyuan was obligated to repay us the accounts receivable of RMB200 million on December 26, 2018. In December 2017, we also entered into a guarantee contract with Wintime Energy Co., Ltd ("Wintime"), pursuant to which the repayment by Yinyuan under the factoring contract is guaranteed by Wintime. Under the factoring contract, Yinyuan is required to repurchase the outstanding accounts receivable if Yinyuan fails to make repayment on schedule or any event of default is triggered under any financing contracts of the guarantor with us or our related-parties.

In July 2018, Wintime defaulted on several of its debts, which triggered the acceleration of repayment under the factoring contract, and Yinyuan could not make repayment as scheduled. In October 2018, we initiated a lawsuit against Yinyuan, Huaxi and Wintime to Shanghai Financial Court to claim for all of the outstanding accounts receivable and unpaid service fee in an aggregate amount of approximately RMB203.4 million. We also made a property preservation application to Shanghai Financial Court against Yinyuan and Wintime. As of the Latest Practicable Date, the case was pending for decision.

As of the Latest Practicable Date, our total outstanding risk exposure under the factoring contract was RMB200.0 million. In accordance with our five category classification criteria and provisioning policies, we currently classify the factoring receivable from Yinyuan as "special mention". As of the Latest Practicable Date, we made a provision for impairment losses of approximately RMB56.7 million, representing 28.3% of the total outstanding risk exposure.

Dispute regarding Factoring Contract with CEFC Petroleum (Guangdong) Co., Ltd.

In September 2017, we entered into a factoring contract (the "CEFC Factoring Contract") with a company and CEFC Petroleum (Guangdong) Co., Ltd. (華信石油（廣東）有限公司) ("CEFC Petroleum"). Pursuant to the CEFC Factoring Contract, the contracting company transferred its accounts receivable due from CEFC Petroleum (the "Accounts Receivable of CEFC") and paid us service fees, and we shall pay RMB500.0 million and provide factoring services to the contracting company in return. The Accounts Receivable of CEFC amounted to RMB500.0 million and would fall due on September 28, 2018. In addition, we entered into a guarantee contract with CEFC Shanghai International Group Limited (上海華信國際集團有限公司) ("CEFC Energy"), pursuant to which CEFC Energy undertook to provide a joint and several guarantee of CEFC Petroleum's obligations under the CEFC Factoring Contract. CEFC Petroleum is a subsidiary of CEFC Energy.

In March 2018, we came to notice that the chairman of CEFC China Energy Company Limited (中國華信能源有限公司) (the parent company of CEFC Petroleum and CEFC Energy) was under investigation and we believed that this may adversely affect the solvency of CEFC Petroleum. Therefore, in April 2018, we initiated a lawsuit against CEFC Petroleum and CEFC Energy, applying to the Shanghai High People's Court for a judgment ordering CEFC Petroleum to pay us the Accounts Receivable of CEFC of RMB500.0 million and a penalty of RMB50.0 million under the CEFC Factoring Contract. In addition, we requested CEFC Energy to repay CEFC Petroleum's obligations on a joint and several basis. On the same date, we made a property preservation application to the Shanghai High People's Court against CEFC Petroleum and CEFC Energy. As of the Latest Practicable Date, the Shanghai High People's Court had completed the property preservation, and the case was in the first instance.

As of the Latest Practicable Date, our total outstanding risk exposure (total outstanding accounts receivable less guarantee deposits and other amounts paid by the buyer and seller in the factoring transaction) under the Factoring Contract was RMB500.0 million. As of the Latest Practicable Date, none of the payables of CEFC Petroleum due to us had become overdue and we are currently discussing the payment options with CEFC Petroleum. The Accounts Receivable of CEFC were classified as "special mention". As of the Latest Practicable Date, we made a provision for impairment losses of approximately RMB139.3 million, representing 27.9% of the total outstanding risk exposure. In the future, we will adjust our classification and provisions as we deem appropriate.

Dispute regarding Financial Leasing Contract with Liaoning Huishan Dairy Group Fengyuan Animal Husbandry Co., Ltd.

In November 2016, we entered into a finance lease-back agreement (the "Finance Lease-back Agreement") with Liaoning Huishan Dairy Group Fengyuan Animal Husbandry Co., Ltd. (遼寧輝山乳業集團豐源牧業有限公司) ("Huishan Fengyuan") with 227 farm facilities as the leased assets. Huishan Fengyuan is a subsidiary of China Huishan Dairy Holdings Company Limited ("Huishan Dairy"). The contract amount of this agreement was approximately RMB340.9 million and the lease term was 36 months, expiring in November 2019. According to an asset transfer agreement entered into by Huishan Fengyuan and us pursuant to the Finance Lease-back Agreement, we, the lessor, obtained the legal ownership of the 227 farm facilities as the leased assets from Huishan Fengyuan, as the lessee, and we are entitled to hold such legal ownership during the lease term. According to an appraisal report provided by Huishan Fengyuan which was issued by a third-party appraisal agency, the aggregate appraisal value of the 227 farm facilities as the leased assets was approximately RMB323.5 million as of November 20, 2016. Huishan Fengyuan made the first installment of lease payment under the Finance Lease-back Agreement in February 2017.

In March 2017, Huishan Dairy experienced a significant decrease in its stock price, and it was revealed in Huishan Dairy's meeting with its creditors that it was experiencing liquidity difficulties. In order to secure our rights under the Finance Lease-back Agreement, we gave notice of accelerated payment and notice of performance to Huishan Fengyuan and Huishan Dairy, but they failed to duly perform their obligations as stipulated in such notices, which constituted default under the Finance Lease-back Agreement. We also requested additional collateral from Huishan Fengyuan but it failed to do so. Therefore, in accordance with the Finance Lease-back Agreement and applicable PRC laws, on April 24, 2017, we initiated a lawsuit against Huishan Fengyuan and its affiliated entities, applying to Shanghai No.2 Intermediate People's Court to claim for all of the outstanding lease payments in an aggregate amount of approximately RMB301.5 million under the Finance Lease-back Agreement together with overdue interest (based on a daily interest of 0.05% of total outstanding lease payment). In addition, we requested three affiliates of Huishan Fengyuan (including Huishan Dairy) to take on a joint and several liability to repay Huishan Fengyuan's obligation. On the same date, we made a property preservation application to Shanghai No.2 Intermediate People's Court. In May 2017, Huishan Fengyuan failed to pay the second installment of lease payment when it became due. As of the Latest Practicable Date, there were eight installments of lease payments under the Finance Lease-back Agreement that had become overdue, and the total amount of outstanding lease payment of Huishan Fengyuan was approximately RMB301.5 million.

As of the Latest Practicable Date, the Shanghai No. 2 Intermediate People's Court had, in its capacity as the people's court of first instance, made the judgment in favor of our proceedings. Huishan Dairy initiated an appeal against the judgment of the people's court of first instance. Currently, the case is under the trial proceeding of the people's court of second instance. In addition, Huishan Dairy and its subsidiaries are currently subject to restructuring. Creditors are currently voting on a draft restructuring plan.

As of the Latest Practicable Date, our total outstanding risk exposure (total outstanding principal amount less guarantee deposits and other amounts paid by the lessee) under the lease agreement with Huishan Fengyuan was RMB261.9 million. In accordance with our five category classification criteria and provisioning policies, we currently classify the finance lease receivables from Huishan Fengyuan as "substandard." As of the Latest Practicable Date, we made a provision for impairment losses of approximately RMB104.8 million, representing 40.0% of the total outstanding risk exposure. We are closely monitoring the restructuring process of Huishan Dairy and will duly update our classification and may further make provisions for such receivables based on repayment abilities of Huishan Fengyuan and Huishan Dairy.

Regulatory Non-compliance Incidents

We are subject to a number of regulatory requirements and guidelines issued by the regulatory authorities in China (including, but not limited to, the MOFCOM, SAFE, SAT, SAIC and their respective local branches and offices). During the Track Record Period and up to the Latest Practicable Date, neither we nor our employees have been involved in material regulatory non-compliance incidents that have led to regulatory fines.

We may be involved in regulatory non-compliance incidents from time to time. We set out below details of non-compliance incidents during the Track Record Period and up to the Latest Practicable Date and primary remedial or rectification measures we adopted.

Non-compliance Incidents

During the Track Record Period and up to the Latest Practicable Date, our Company engaged third party human resources agencies to pay social insurance and provident housing funds for the employees of our branches. Our subsidiary, Haitong UniFortune, did not open and register the account for payments of social insurance and provident housing funds with local government authorities. It also engaged third party human resources agencies to pay social insurance and provident housing funds for its employees. Such arrangements are not in strict compliance with relevant PRC laws and regulations.

Primary Remedial or Rectification Measures

Our Company and Haitong UniFortune entered into such payment arrangements with third party human resources agencies in order to enable their employees to enjoy the social insurance and provident housing funds in the location where they work.

Based on the following reasons, our PRC legal advisor advised that the risk of administrative penalty that relevant government authorities may impose on us is low:

- Our Company and Haitong UniFortune have not been imposed any administrative penalty for their arrangements with the human resources agencies since January 1, 2016;
- Our Company and Haitong UniForture have made timely and full payments for social insurance and provident housing funds through the third party human resources agencies. According to the confirmation provided by Shanghai Municipal Social Security Administration Center provided on February 25, 2019, our Company had no defaulted payments as of December 31, 2018;
- As confirmed by the government agency in charge of social security supervision for Haitong UniFortune, the government agency is aware of Haitong UniFortune's practices of paying social insurance and provident housing funds through third party human resources agencies and would not impose any penalty on Haitong UniFortune; and
- As confirmed by the government agency in charge of provident housing fund supervision for Haitong UniFortune, it would not impose any penalty on Haitong UniForture for its failure to open an account for provident housing fund payment and for making the required payments through third party agencies. If an enterprise has made provident housing fund contributions in full for its employees, the government agency would not impose any penalty on the enterprise's failure to register the payment account.

Our Company and Haitong UniFortune are taking remedial measures to rectify such non-compliance. In the first half of 2018, labor relations of approximately 270 employees of Haitong UniFortune have been transferred to Haitong UniTrust Financial Leasing, its affiliate holding a payment account for social insurance and provident housing funds. It is expected that all remaining employees of Haitong UniFortune will be transferred to Haitong UniTrust Financial Leasing by June 30, 2019.

Non-compliance Incidents

Pursuant to relevant PRC laws and regulations, a company which engages in financial leasing for Type III medical equipment is required to obtain requisite licenses. Our subsidiary, Haitong UniTrust Financial Leasing, conducted financial leasing transactions without the operation license for medical equipment during the Track Record Period and up to June 12, 2017.

Primary Remedial or Rectification Measures

Haitong UniTrust Financial Leasing was established in Shanghai Free Trade Zone in July 2014. As the applicable regulations and procedures relating to the application of operation license of medical equipment for companies established in the trade zone was still developing, Haitong UniTrust Financial Leasing did not obtain the operation license for medical equipment. It obtained such license on June 13, 2017.

Based on the following reasons, our PRC legal advisor advised that the risk of administrative penalty that relevant government authorities may impose on Haitong UniTrust Financial Leasing is low:

- Haitong UniTrust Financial Leasing met the conditions for applying for the operation license of medical equipment during the Track Record Period but it failed to complete the application procedure;
- The competent regulator that supervises the medical equipment operation matters of Haitong UniTrust Financial Leasing recognized that Haitong UniTrust Financial Leasing did not have any dispute related to quality of medical equipment during its operations and the regulator expressed the view that it would not initiate any administrative proceeding to impose penalty on Haitong UniTrust Financial Leasing without such dispute;
- Substantially all of its finance leases for medical equipment are sale-and-lease-back transactions. In such transactions, the lessee is responsible for purchasing the medical equipment. The lessees who contracted with Haitong UniTrust Financial Leasing are primarily public hospitals and local health care agencies which have obligations under PRC laws to purchase medical equipment with registration certificates and have quality standards suitable for its use. Pursuant to the relevant finance lease agreements, as the lessees are the original purchasers of the equipment or had directed the lessor to purchase designated equipment for leasing, the lessor is not liable for any defect (including quality defect) of the leased equipment and the lessees have agreed to compensate the lessor for any loss suffered due to such defect;
- Haitong UniTrust Financial Leasing has currently obtained the operation license of medical equipment and has not been imposed any penalties by any government authority;
- Haitong UniTrust Financial Leasing received a letter dated July 18, 2017 from the Shanghai Municipal Food & Drug Administration ("Shanghai FDA") confirming that the Shanghai FDA was not aware of any administrative penalties imposed by food and drug regulatory authorities in Shanghai on Haitong UniTrust Financial Leasing from the date of the establishment of Haitong UniTrust Financial Leasing to June 26, 2017 for violation of applicable medical equipment laws and regulations; and

Non-compliance Incidents	Primary Remedial or Rectification Measures
	• According to a report from Public Credit Information Service Platform of Shanghai, from January 1, 2017 to December 31, 2018, no administrative penalty was imposed on Haitong UniTrust Financial Leasing by food and drug regulatory authorities in Shanghai for violation of applicable medical equipment laws and regulations. Since the above incident, Haitong UniTrust Financial Leasing has strengthened its management for its business licenses and permits. It has provided legal and compliance training to its relevant employees and periodically reviewed the validity of the licenses for its business and operations.

Due to the fact that (i) we implemented measures to rectify the non-compliance incidents after becoming aware of the incidents as disclosed above and all such incidents have been rectified or in the process of being rectified as of the Latest Practicable Date; (ii) internal control measures have been undertaken by us to prevent the reoccurrence of similar incidents; and (iii) as confirmed by our PRC legal advisors, the risk of administrative penalty that relevant government authorities may impose on Haitong UniTrust Financial Leasing is low, our Directors are of the view that we have adequate and effective internal controls to prevent similar non-compliance from reoccurring in the future.

Regulatory Inspections

PRC regulatory authorities, including the MOFCOM and its respective local branches and offices, may carry out periodic or *ad hoc* inspections, examinations and inquiries in respect of our compliance with applicable laws, regulations, guidelines and regulatory requirements.

Our Directors confirmed that there were no material regulatory inspection issues or material incidents of regulatory non-compliance during the Track Record Period and up to the Latest Practicable Date.

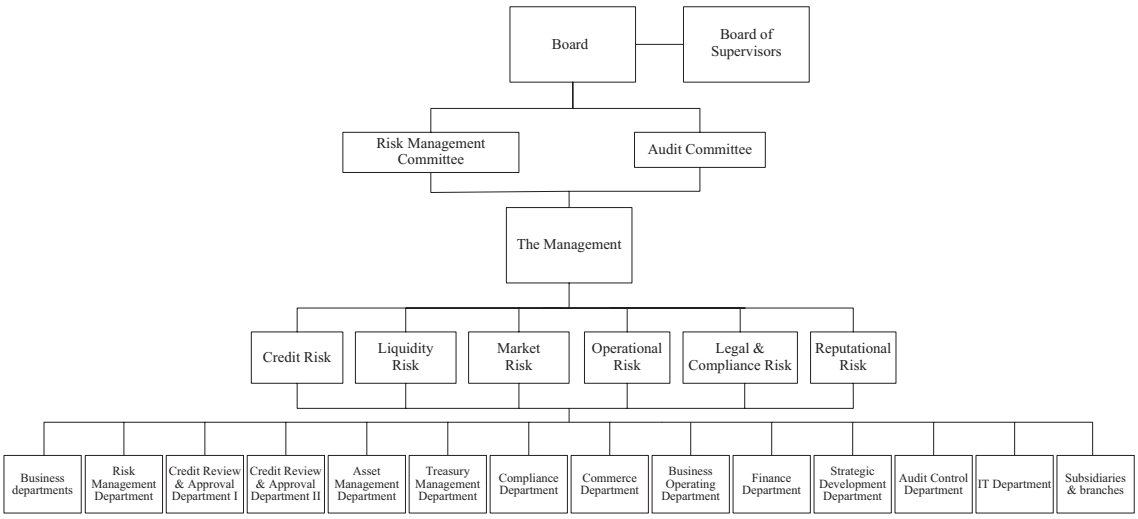
OVERVIEW

We are exposed to various risks in our business operations, including credit risk, liquidity risk, market risk, operational risk, compliance and legal risk as well as reputational risk. Credit risk is the primary type of risk faced by us.

We adopt a prudent risk management philosophy. We maintain a comprehensive risk management system and implement various risk management measures throughout our business operations. We continually improve our comprehensive risk management system to enhance our overall risk management capability and core competitiveness. The goal of our risk management efforts is to maintain risks at a tolerable level and to maximize our risk-adjusted return. We engage in risk management under the comprehensive risk management framework of Haitong Securities, our controlling shareholder. We report key risk indicators to Haitong Securities and are supervised by Haitong Securities in terms of the reporting of such risk indicators. We maintained satisfactory asset quality during the Track Record Period. As of December 31, 2016, 2017 and 2018, the NPA ratio of our interest-earning assets (finance lease receivables, factoring receivables, entrusted loans and other loans) was 1.10%, 0.93% and 0.94%, respectively.

RISK MANAGEMENT STRUCTURE

We have a risk management structure commensurate with our business operations and continually improve this structure to meet our business development demand. Our risk management structure is as follows:



Board and Board Committees

Board

The Board is our highest internal decision-making body on matters involving risk management and has the ultimate responsibility for our overall risk management. 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 performs certain risk management functions through the Risk Management Committee and Audit Committee under the Board.

Risk Management Committee

The Risk Management Committee under the Board is primarily responsible for:

- supervising and providing guidance for the establishment and improvement of our risk management and internal control systems;
- reviewing blueprints, annual work plans and annual reports regarding our risk management and internal control systems;
- reviewing the organizational structure and allocation of duties regarding our risk management and internal control systems;
- reviewing policies and work processes associated with our risk management and internal control systems;
- reviewing our risk management strategies and action plans for major risks;
- conducting research on the management of risks arising in our major investing and financing activities and other major operational and managerial matters and providing recommendations to the Board;
- conducting research on major emergency risk events and the results of investigations relating to risk management and internal control, as well as the feedback from our management; and
- reviewing and approving, within the limit of its authority as approved by the Board, projects exceeding the limit of authority of the Credit Review Committee.

The Risk Management Committee under the Board comprises three members. Mr. YO Shin currently serves as the chairman of the Risk Management Committee. For the biography of Mr. YO Shin, see "Directors, Supervisors and Senior Management."

Audit Committee

The Audit Committee under the Board is primarily responsible for:

- proposing the engagement or replacement of external audit firms;
- supervising the formulation and implementation of our internal audit rules and procedures;
- organizing special audits and maintaining communication between our internal audit departments and external audit firms;
- auditing our financial accounts and financial disclosure;
- reviewing our internal control rules and procedures and providing recommendations on the improvement of such rules and procedures;
- providing recommendations on performance evaluation and replacement of the heads of our internal audit department;
- convening regular meetings to consider and approve work plans and reports submitted by our internal audit department; and

- reporting to the Board regularly in respect of the progress and effectiveness of our internal audit, as well as major issues identified in the internal audit.

The Audit Committee under the Board comprises three members. Mr. Zeng Qingsheng currently serves as the chairman of the Audit Committee. For the biography of Mr. Zeng Qingsheng, see "Directors, Supervisors and Senior Management."

Board of Supervisors

The Board of Supervisors is our supervisory body on matters involving our risk management and internal control systems and is primarily responsible for: (i) supervising our operational and financial conditions; (ii) supervising the formulation and implementation of our risk management and internal control systems and policies by the Directors and senior management; and (iii) reviewing the periodic reports prepared by the Board and providing written opinions.

The Management

The management comprises the key management team members of the Company. The management is, to the extent authorized by the Board, responsible for:

- building a risk management organizational structure with clear division of duties and working procedures;
- establishing and implementing our risk appetite, risk tolerance and major risk limits and supervising the implementation thereof;
- identifying and evaluating all types of risk, establishing and implementing risk management rules and procedures, dealing with deficiencies or resolving problems identified in a timely manner, and reporting to the Risk Management Committee under the Board;
- conducting investigations in, and reviewing, major risk events and reporting the results of such investigations to the Board in a timely manner;
- establishing an effective employee performance evaluation mechanism; and
- building an advanced IT system.

Our risk management structure at the management level also comprises the Credit Review Committee and the Chief Risk Officer. The Credit Review Committee is mainly responsible for discussing, reviewing and approving the credit review guidelines specific to industries, regions and new products. The Credit Review Committee also reviews and approves large-amount projects in accordance with our delegation of authority. Our Chief Risk Officer is the member of our senior management that is responsible for our overall risk management. Mr. Fu Da, currently serves as our Chief Risk Officer. For the biography of Mr. Fu Da, see "Directors, Supervisors and Senior Management."

Chief Risk Officer's main duties include:

- organizing and implementing the risk management policies, rules and procedures adopted by the Board and senior management;

- supervising, reviewing and evaluating the risk management rules and procedures regarding our various business lines;
- supervising and monitoring the implementation of our risk management policies and procedures, providing recommendations on any issues identified, and supervising the rectification of such issues;
- providing recommendations in a timely manner to relevant departments, branches or subsidiaries on major risks or potential risks based on the results of our investigations and supervising the remedying of these risks;
- evaluating and improving our risk management tools and methods; and
- evaluating major risks and the management of such risks on a regular basis and submitting evaluation reports to the management, the Risk Management Committee and other relevant departments.

Risk Management Functional Departments

Risk Management Department

The Risk Management Department is our core risk management functional department. The main duties of the Risk Management Department include: (i) formulating risk management policies, rules and procedures within its scope of authority; (ii) supervising the formulation of business risk management rules and procedures by various departments, branches and subsidiaries and supervising their efforts in identifying and assessing major risks associated with their businesses; (iii) determining our major risk control indicators and organizing our risk monitoring; (iv) organizing inspections and supervision on the implementation of the risk management rules and procedures associated with our businesses; (v) carrying out comprehensive assessment of, and reporting on, our overall risk profile and the management of our risk profile; and (vi) timely reporting significant potential risks or risk events and providing recommendations on risk management.

Credit Review and Approval Departments

Our credit review and approval departments include Credit Review & Approval Department I and Credit Review & Approval Department II. Our credit review and approval departments are responsible for conducting credit review and approval of our leasing, factoring and other financing transactions to ensure that our asset quality and review and approval procedures are in line with our objectives. Specifically, Credit Review & Approval Department I and Credit Review & Approval Department II classify transactions into two levels based on factors such as the nature of industry, characteristics of customers and features of risks for review and approval. Credit review and approval departments also participate in the formulation of our credit review and approval rules and procedures.

Asset Management Department

Our Asset Management Department is primarily responsible for the management of our leased assets. Its responsibilities primarily include: (i) formulating and implementing our asset management rules and procedures; (ii) monitoring, assessing and analyzing the conditions of our leased assets; (iii) disposing of NPAs; and (iv) supervising and providing guidance for the asset management activities of our business departments.

Treasury Management Department

The Treasury Management Department is mainly responsible for the centralized management of domestic and overseas capital within the Group, including (i) the raising, allocation and utilization of capital; (ii) the formulation and supervision and control of our budgets and capital planning; (iii) the management of liquidity risk and interest rate and exchange rate risks; and (iv) day-to-day capital settlement, such as receipt and payment, position management and accounts management.

Commerce Department

The Commerce Department manages the legal and compliance risk relating to businesses in our business operations and is mainly responsible for: (i) providing legal and compliance recommendations on models and structures of our transactions; (ii) formulating legal and compliance risk approval standards in respect of our businesses; and (iii) controlling legal and compliance risk relating to our business contracts.

Compliance Department

The Compliance Department, in accordance with the PRC laws and regulations as well as the requirements of regulatory authorities, formulates the compliance management rules and procedures, coordinates the compliance management of the Company and organizes compliance works, handles legal review and consultation relating to non-business contracts of the Company, conducts compliance investigation and maintains sustainable development of the Company.

Business Operating Department

The Business Operating Department is primarily responsible for managing operational risk arise in the post-transaction phase through the monitoring of the post-transaction business processes and conducting compliance review of related matters to ensure that our business contracts are performed properly.

Finance Department

The Finance Department participates in our decision-making on major operational matters and is responsible for the supervision of various financial management matters, such as our financial management, accounting and auditing, tax management, financial supervision, budget management and pricing management, on a real-time basis.

Strategic Development Department

The Strategic Development Department is mainly responsible for carrying out the following activities, in accordance with our strategic development demands determined by the Board: (i) organizing and participating in the formulation of our development strategies and annual operational objectives; (ii) furthering our understanding of the latest developments in the markets and industries where we operate; (iii) conducting researches on emerging industries; (iv) assessing the conditions of our business operations; and (v) conducting research and analysis of the issues arising in our business development in a timely manner and providing recommendations on the improvement of our business operations.

Audit Control Department

The Audit Control Department is mainly responsible for supervising the implementation of various policies, rules and procedures relating to risk management, as well as assessing the effectiveness of our risk management system.

IT Department

The IT Department is primarily responsible for, in accordance with our business strategies, organizing the formulation of our IT strategic planning. The IT Department is also responsible for the maintenance and management of our IT systems and infrastructure to ensure the proper functioning as well as the security and reliability of our IT systems.

Risk Management Structure of Haitong UniFortune

Haitong UniFortune is covered under our comprehensive risk management framework and is supervised by the Risk Management Department at the headquarters level in certain aspects, such as the establishment of risk management rules and procedures and the identification and evaluation of major risks.

Haitong UniFortune implements a proper risk management structure. The Risk Management Department of Haitong UniFortune is mainly responsible for monitoring and managing the assets of Haitong UniFortune and conducting a centralized management of the credit risk arising in the course of business of Haitong UniFortune. The Credit Review & Approval Department and the Asset Management Department of Haitong UniFortune are responsible for carrying out credit review and approval relating to commercial vehicle leasing and passenger vehicle leasing, collection of overdue receivables and recovery and disposition of leased assets. The Compliance & Litigation Department of Haitong UniFortune is responsible for the management of various compliance and legal matters, including legal proceedings and the review and filing of legal documents.

Risk Management Structure of Our Branches

Our branches are an integral part of our network. We conduct centralized management of the risks faced by our branches. In accordance with rules and procedures formulated by and under the supervision of the Risk Management Department, the credit review and approval departments are responsible for identifying and assessing major risks faced by our branches.

CREDIT RISK MANAGEMENT

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

Credit risk is the primary risk that we face in our financial leasing, factoring and entrusted loan and other loan businesses. We have in place a set of credit risk management rules and procedures that are applied to our financial leasing, factoring and entrusted loan and other loan businesses. Unless otherwise indicated, the risk management measures associated with financial leasing business as described below are also applied to our factoring business and entrusted loan business. We continually

adjust and improve such rules and procedures in accordance with our business strategies and in response to changes in the macro-economy as well as the political and regulatory environment.

We have formulated and implemented specific risk management measures for our aircraft leasing business. See "– Risk Management of Aircraft Leasing Business."

Industry Selection

We select industries based primarily on the research and analysis on the macro-economy, industries and government policies carried out by our business team, credit review team and risk management team. When selecting industries, we consider a comprehensive range of factors, such as the macro and regional economic environment, national policies, conditions and development trend of the target industries, so as to identify low-risk industries and avoid high-risk industries.

Based on their risk levels, we categorize the industries in which our customers operate into four categories, namely "prioritized support," "moderate support," "cautious entry" and "reduction & exit" and adopt differentiated credit review and approval standards. The following table sets out the details of these industry categories:

Category	Description	Examples of major sub-industries
Prioritized support	This category includes growth industries that are in line with the "13th Five-Year" plan and the supply-side structural reform. We will intensify our marketing efforts and seek to increase our market share and business volumes with customers in these industries, while effectively controlling the associated risks. We also seek to maintain a faster growth in our business volume in such industries than the average growth of all the industries we serve.	• New-generation information technology (IDC) • Education • High-end equipment manufacturing (aerospace, robots and intelligent manufacturing, and new energy vehicles) • Health care (hospital and pharmaceutical) • Energy conservation and environmental protection (sewage disposal and solid waste disposal) • Utilities (supply of water, gas and heat)
Moderate support	We seek to moderately enhance business volumes with leading enterprises in these industries according to their respective characteristics.	• Manufacturing (automobiles, electric machines and devices) • Transportation (port, railway and highway) • Cultural industries • Logistics • Modern agriculture

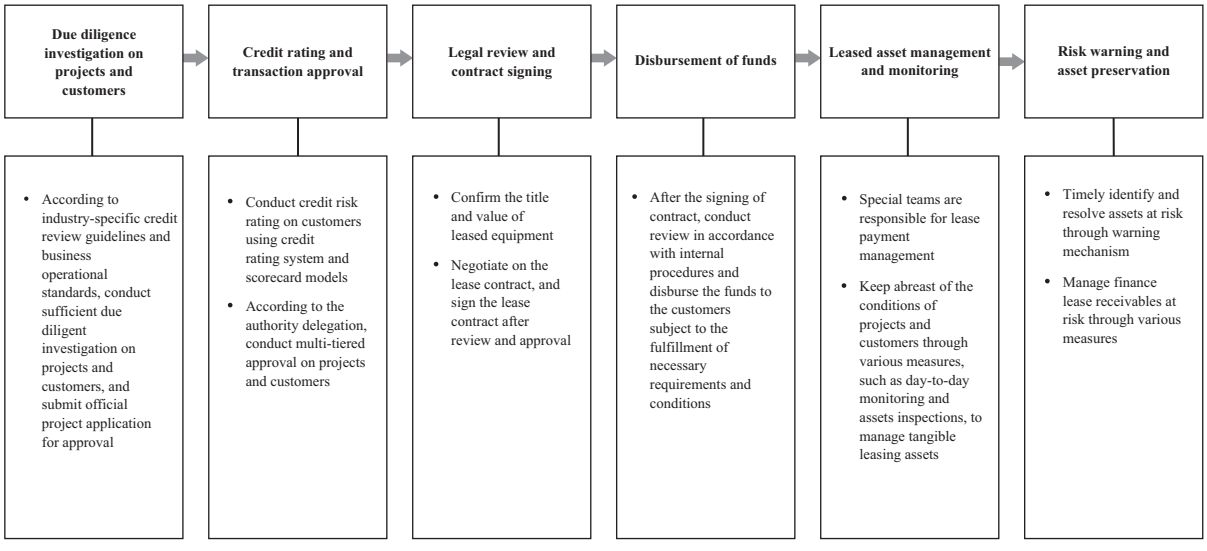
Category	Description	Examples of major sub-industries
Cautious entry	We prudently serve selected customers in these industries while effectively controlling the associated risks.	• Electricity generation • Other traditional manufacturing industries (textile and papermaking) • Real estate
Reduction & exit	These are high-risk industries and we do not engage in any new businesses with enterprises in these industries.	• Industries with severe over-capacity (steel and coal)

We take into consideration a variety of factors when performing preliminary assessment of new industries. These factors include the development stage, market scale and growth potential of these industries and the funding needs in these industries. We carry out business in the new industries on a pilot basis if we find the risk/return profile attractive. Our senior management has the final say on whether to enter such industries. Upon the approval of our senior management, we will formulate credit review guidelines and operational standards and officially begin to engage in such industries.

We adopt different risk review approaches for different industries and formulate industry-specific credit review guidelines. These industry-specific credit review guidelines cover a wide range of industries, such as transportation & logistics, industrials, infrastructure, construction & real estate and health care. The credit review and approval departments, Risk Management Department and our business departments are jointly responsible for drafting credit review guidelines and submitting them to the authorized approver(s) for approval. The credit review guidelines will be implemented upon approval. We review and amend our industry-specific credit review guidelines to respond to changes in the macro economy and industrial policies.

Project Process Management

We have formulated a standardized project management process and implement various credit risk management measures throughout this process. The diagram below illustrates the major stages of this process:



Due Diligence Investigations on Projects and Customers

We seek to identify risks as early as possible through comprehensive due diligence. We conduct due diligence investigations on projects and customers, primarily through the following steps:

- Our sales team performs pre-selection of potential projects and customers based on our risk appetite. A potential project or customer that meets the risk acceptance criteria will be shortlisted for further due diligence investigations;
- We take into consideration a variety of factors in the process of conducting due diligence investigations. These factors include but are not limited to relevant regulatory environment, the developmental stage and trends of the industry where a potential customer operates, the capital management capability, operational efficiency, financial performance of a customer, as well as the stability of the shareholders and management teams of such customer;
- We require our sales team to conduct due diligence investigations and information collection in accordance with our industry-specific credit review guidelines and operational standards. Our sales team collects information mainly by interviewing major shareholders and key management of the potential customer, cross checking with banks and other creditors, and conducting on-site investigations of equipment, workforce and inventory of the potential customer;
- Apart from conducting due diligence interview and on-site investigations, the sales team also obtains information necessary for identifying risks through other channels, including but not limited to: (i) consulting with experts to obtain professional opinions and advices; (ii) consulting with advisory, rating, investigation and other agencies; (iii) visiting guarantors, as well as upstream and downstream customers of the lessees and the guarantors; and (iv) collecting relevant information by other means;
- In addition to customer due diligence, the sales team also conducts review on the qualifications and creditworthiness of equipment suppliers, in order to control direct or indirect supplier risks; and
- the application will be submitted to the credit review and approval departments for review after being reviewed and approved by the business manager.

In June 2016, we launched our PBOC Enterprise Credit Program and became the first financial leasing company in the PRC which is granted access to the PBOC Enterprise Credit System through data reporting program. We retrieve the credit report of a customer from the PBOC Enterprise Credit System after we have obtained the authorization from such customer to do so, and we use such report to facilitate our credit review process. We will also request a customer to authorize us to disclose information about the performance of its payment obligations on the PBOC Enterprise Credit System.

In addition, we implement strict eligibility criteria for the accounts receivable we purchase from our customers in factoring transactions. We check whether such accounts receivable meet such criteria as part of our due diligence investigations. These criteria primarily include:

- the subject matter of the transaction and rights and obligations of the contracting parties are clearly specified in the underlying contracts;
- the transactions contemplated in the underlying contracts are genuine and legitimate, and the signing of the contracts by the parties does not violate applicable laws;
- the receivables are not transferred or pledged or have any other encumbrances, and the buyer should have the full right to sell the receivables; and

- there are no commercial disputes or controversies between the buyer and seller.

We require factoring customers to provide comprehensive supporting documents in respect of the factored receivables, such as: (i) the underlying contracts; (ii) the documents that can prove the authenticity of the underlying transaction, such as invoices, delivery notes, bills of lading, warehouse receipts, warehouse warrants, inspection papers, quality certificates, payment receipts; and (iii) the documents that can prove that the receivables are not transferred or pledged. We obtain such documents primarily from the PBOC Credit Reference Center.

On the date of signing the factoring contract, we will retrieve registration information of the pledge, if any, and transfer of the factored receivables from the platform of the PBOC Credit Reference Center. We will cease the contract signing process if we identify any inconsistencies between the registration information and the information about the factored receivables under the factoring contract.

We sign a receivables transferal registration agreement with the seller as we sign the factoring contract and have the information about such receivables registered and published on the platform of PBOC Credit Reference Center and obtain an initial registration proof on or prior to the date on which we disburse the funds to the customers.

Credit Rating and Transaction Approval

We conduct credit rating and transaction approval on the basis of project and customer due diligence.

Credit Rating

We evaluate customer and transaction credit risk through our credit risk rating system. Probability of default ("PD") and loss given default ("LGD") are the two basic indicators that our credit risk rating system uses to evaluate credit risk level.

PD is the likelihood of a customer defaulting within the next 12 months. We assess a customer's PD in the initial credit risk review. After we disburse the funds to a customer, we will re-evaluate such customer's PD when it makes the next application for funding or if any risk alert occurs, such as a deterioration in the customer's financial condition or overdue payments. The table below sets out our PD grades. We do not enter into any transaction with a customer with a PD ranging from PD 12 to PD 16.

PD	Definition	Description
PD 1-3	High quality customer, very low default risk	• Usually an investment grade company with global business coverage • Excellent financial condition, cash flow and liquidity • Low financial leverage and good repayment capacity • The customer has an annual revenue of over RMB10 billion and net tangible assets of over RMB2.5 billion

PD	Definition	Description
PD 4-8	Good quality customer with low default risk	• Large-scale multinational enterprises, leading regional enterprises or SOEs, or quality medium- and small-sized enterprises • Sound financial condition with a reasonable level of cash flow and liquidity • Sufficient repayment capacity; low financial leverage; strong capital return capacity; sufficient bank credit • Proper market positioning; relatively high utilization level of production capacity; products well recognized in the market • Management with rich experience that can bring good reputation for the company
PD 9-11	Average quality customer with an average level of default risk	• Medium- and small-sized enterprises • Unstable financial condition; cash flow, liquidity, repayment capacity and financial leverage at marginal level • Encounter difficulties in recovering capital and may not have sufficient bank credit support • Management has insufficient experience • Average production capacity, average product market recognition, unclear market positioning
PD 12-16	The customer is in distressed situation with a high level of default risk	• The customer may have suffered losses for two or more consecutive quarters with a small chance of regaining profitability • Cash flow is not sufficient for payment of the customer's obligations and the principal and interest may not be fully recovered

LGD is the ratio of our loss incurred and our risk exposure when a customer defaults. LGD is a more transaction-specific indicator as compared to PD. LGD is not only affected by the credit condition of the customer, but is also affected by the structure and terms (such as whether there is security) of a particular transaction. We categorize the transactions with our customers into 13 LGD grades based on their risk levels.

In addition to credit rating system, we also use scorecard models based on historical data and our credit approval experience to evaluate the risk profile of certain customers. We maintain different scorecard models for different business lines and manage these scorecard models dynamically. We may adjust the scorecard models as appropriate if we observe any unusual movements in risk monitoring indicators resulting from changes in our business strategies and external economic, political and regulatory environment.

Once we receive information about a customer, we will input it into a risk rating model or scorecard model which will automatically generate the basic ratings. After the basic rating has been determined, the credit specialists can adjust such rating based on other qualitative factors, provided that any adjustments are within the specialist's credit approval authority and the reasons for such adjustments are properly documented.

Transaction Review and Approval

We conduct multi-tiered review and approval for customers and projects. Upon the completion of the due diligence investigations, the project manager will prepare a project application and submit it to the authorized business person-in-charge for review. After proper review and approval by the business person-in-charge, the application will be submitted to the credit review and approval departments for further review. The credit review and approval departments verify the content of the application by taking into consideration the credit review guidelines, issue a list of information to be supplemented by the business departments, and provide the first round comments. The business department will then conduct further due diligence on the customer and project and respond to credit review and approval departments' comments. The credit review and approval departments may conduct on-site verification together with the business departments where they consider necessary. If the credit review and approval departments' comments remain uncleared after the on-site verification, the credit review and approval departments will give the second round comments to the business department. The credit review and approval departments will prepare the credit review report after receiving the responses to the second round comments and submit the report to authorized approver for approval.

We determine the original equipment cost prior to approving a customer's application for finance lease. For a direct lease contract, the original equipment cost is determined based on the market price for the leased equipment. For a sale-and-leaseback contract, the original equipment cost is determined based on various supporting documents and information, including (i) the original invoice for the equipment when the customer purchased it, (ii) purchase contract, (iii) the list of the customer's fixed assets and depreciation of such assets, and (iv) the net book value of the equipment which is determined in accordance with the PRC GAAP.

The net amount financed under a finance lease that we grant to a customer may not exceed the original equipment cost we have determined. We have set forth upper limits for the ratio between net amount financed and the original equipment cost in respect of type of business. For example, the net amount financed for a finance lease of commercial vehicle may not exceed 90% of the original equipment cost of the vehicle and the net amount financed for a direct finance lease with an MSE may not exceed 80% of the original equipment cost.

Legal Review and Contract Signing

After the project is approved, the business departments and the Commerce Department will jointly review the contract(s) and other relevant legal documents and proceed to complete contract

signing. Before signing the contract, the Commerce Department will review relevant information to ascertain the title of the leased assets. If a title defect is identified, the Commerce Department will require the potential customer to cure such defects. In respect of certain projects, we, together with the potential customers, will register the mortgage or pledge in the leased assets with applicable authorities.

Disbursement of Funds

The disbursement of funds involves our various departments. Firstly, the Commerce Department will check whether all the conditions precedent are fulfilled. After we confirm that all such conditions precedent are satisfied, our business departments will initiate a disbursement application, which will be jointly signed by relevant authorized departments. Subsequently, the Commerce Department will submit the application to the Marketing Management Department and Finance Department. The Marketing Management Department and Finance Department will review and approve the application according to the financing plan submitted by the business department and will provide a disbursement instruction to the Treasury Management Department. Finally, the Treasury Management Department will complete the disbursement.

Leased Asset Management and Monitoring

We begin to engage in leased asset management and monitoring after we disburse the funds to our customers.

Lease Payment Management

Our customer service teams are responsible for performing routine monitoring of our customers' lease repayment. Before each due date, our customer service teams will make payment reminders to the lessees. If we identify potential overdue payment risk on the part of the lessees, our customer service staff will issue overdue alert in a timely manner to the business department and Asset Management Department, which will follow up or conduct assets preservation if necessary. When the payment is overdue, the customer service teams will immediately contact the lessee to inquire about the cause of overdue and call for the lease payment. Meanwhile, the customer service teams will inform the business department to verify the lessee's cause of overdue, and transfer the overdue project to the Asset Management Department for follow-up within a specified period of time.

Management of Tangible Leased Assets

We have established a monitoring and inspection mechanism to manage our leased assets. This mechanism mainly includes day-to-day monitoring, regular inspections and special inspections. We collect information through day-to-day monitoring, identify or prevent potential risks through regular inspections, and further control risks through specific inspections.

Day-to-day monitoring refers to dynamic monitoring on the financial condition, capital flow and media coverage of our customers based on information collected from the Internet, the PBOC Enterprise Credit System and joint escrow accounts by using crawler technologies.

We conduct routine inspections on all customers and emphasize the inspections on customers of new leases and large amount leases. We understand our customers' conditions through a variety of measures, such as on-site interviews and inspections and information collection. We evaluate the materiality of potential risks based on a wide range of information, such as the operational and financial conditions of our customers and the conditions of the leased assets and the collaterals.

Specific inspections refer to the on-site visits we make to customers for which potential risks are identified. We conduct special inspections to understand the customers' repayment ability and the development in associated risks as well as to collect payments from overdue customers.

We require the lessees to purchase insurance for our leased assets or request the lessees to change the original beneficiary of existing insurance to us. During the lease term, we monitor the conditions of the leased assets on a real-time basis to identify insurance accidents. If an insurance incident occurs, we will inform the insurance company and make a claim in a timely manner.

In terms of financial leasing, at the end of the lease term, the lessee has the option, upon prior notice to us, to purchase the leased equipment at a nominal price. As the nominal purchase price is very low, the lessee usually chooses to purchase the leased equipment from us and we do not keep the title of the leased assets or dispose of such leased assets when the lease term ends. Therefore, we do not consider the residual value of leased assets when we determine the lease pricing and credit risk exposure under a lease agreement for our financial leasing business.

Risk Warning and Asset Preservation

We manage overdue accounts and customer default risk through risk warning and asset preservation.

Risk Warning

In the process of risk management, we may from time to time identify circumstances that may materially impact our customers' ability or willingness to pay. We perform quantitative analysis of these circumstances and assign one of the three risk signals, namely red, orange and yellow signals, based on their risk levels, and take differentiated measures accordingly. The table below sets out details of such risk signals and the corresponding measures:

Risk signal	Description	Examples of corresponding measures
Yellow	• Likely to threaten our credit assets • Have a certain level of risk exposure	• Increasing the frequency of inspections and intensifying our recovery efforts • Verifying the repayment ability of the guarantor or the value of the collaterals • Requiring the customers to provide additional credit enhancements • Negotiating with the customers to early terminate the contract

Risk signal	Description	Examples of corresponding measures
Orange	• (i) Our credit assets have been directly threatened, and (ii) the total outstanding principal amount of the contract(s) with a single customer is less than RMB20 million, or • A significant loss (representing 30% to 50% of the total outstanding principal amount) is anticipated	• Requiring the customers to provide additional credit enhancements • Strengthening the supervision over accounts
Red	• (i) Our credit assets have been severely harmed, and (ii) the total outstanding principal amount of the contract(s) with a single customer is RMB20 million or more, or • A significant loss (representing 50% or more of the total outstanding principal amount) is anticipated	• Accelerating the customers' payment obligations • Filing lawsuits against the customers • Disposing of leased assets

Management of Finance Lease Receivables at Risk

When finance lease receivables become overdue, we take various measures to demand payments from the customers, such as making telephone calls, issuing overdue notice and making on-site visits to the customers, and prepare analysis reports on the collection of such receivables. We recover our overdue finance lease receivables by various means, including demanding the lessees to repay the outstanding lease payment in advance, requiring the supplier to repurchase the leased equipment, filing lawsuits against the defaulting customers, or disposing of the leased assets.

In addition, we prepare (i) regular asset management reports regarding our asset risk profile and action plans, (ii) special assessment reports regarding significant risks, and (iii) interim reports regarding emergency risk events. The preparation of these reports enables us to assess our asset quality in a timely and comprehensive manner. We convene regular asset management meetings and conduct internal inspections and supervision to effectively manage different types of risks that are identified in the process of our asset management.

Credit Enhancement Measures

As a lessor, we hold the title in the leased equipment as our primary security method. In a finance lease transaction, we have the right to enforce our security rights by disposing of the leased equipment to recover our losses if the customer defaults. We are entitled to repossess the leased assets in the event of a customer defaults.

We require certain lessees to provide additional third-party guarantees, mortgages or pledges. We may require a lessee to provide more than one type of security, depending on such lessee's credit record and level of risk associated with our finance lease with it. We also assess the guarantor's creditworthiness as well as the ownership and value of the collaterals and the feasibility of enforcing the collaterals. We accept various types of assets as collateral, including, among other things, buildings, real estate, land use rights, equipment, vehicles, receivables, stocks, and equity interests in non-listed companies.

The following table sets forth the breakdown of value of collateral that we received to secure interest-earning assets (including finance lease receivables, factoring receivables, entrusted loans and other loans) by type of collateral as of the dates indicated.

	As of December 31,		
	2016	2017	2018
	(RMB in millions)		
Value of asset collateral:			
Receivables	3,667.0	5,054.3	5,838.0
Stocks of listed companies	2,052.6	1,722.8	988.6
Equity interest in non-listed companies	2,718.8	3,960.7	4,226.5
Land use right and real estate	2,879.7	3,924.0	6,995.1
Machinery, equipment and vehicles	10,402.2	21,274.9	36,074.4
Others[(1)]	982.2	2,112.3	2,019.9
Total	**22,702.5**	**38,049.1**	**56,142.5**

(1) Consists primarily of bills and interests in future cash flows.

As of December 31, 2016, 2017 and 2018, the loan-to-value ratio of our interest-earning assets which were secured by asset collateral was 63.18%, 63.87% and 62.77%, respectively. Such loan-to-value ratio is calculated by dividing the sum of outstanding principal and interest payments under finance lease, factoring and entrusted loan and other loan contracts for which we requested customers to provide asset collateral by the value of asset collateral. As of December 31, 2016, 2017 and 2018, the sum of outstanding principal and interest payments under finance lease, factoring and entrusted loan and other loan contracts for which we requested customers to provide asset collateral was RMB14,344.2 million, RMB24,301.1 million and RMB35,243.3 million, respectively.

We have formulated policies, rules and procedures to monitor the value of our leased equipment and collaterals. We conduct regular on-site inspections of our leased equipment and collaterals in order to identify encumbrances and other restrictions that may prevent us from enforcing our security rights, as well as other circumstances that may cause a significant deterioration in the value of our leased equipment and collaterals. For stocks of listed companies which we accept as collateral, we monitor information about such listed companies, including the market value of their stocks, negative news and stock pledges by shareholders, on an on-going basis. We also monitor the operational and financial conditions of the guarantors guaranteeing the payment obligations of our lessees. If there is any material and adverse change in the value of our leased equipment and collaterals or the credit status of the guarantors, we may request the lessees to provide additional security. We have the right to take repossession of our leased equipment and collaterals if the lessee's obligations become overdue. After we have taken repossession of the leased equipment and collaterals, we tend to dispose of them and deliver them to the buyer at the defaulted lessee's premises, especially in the cases where it may be expensive or impractical to remove the leased equipment or collaterals. We monitor changes in the market prices of the leased equipment or collaterals of which we have taken possession with a view to disposing of them at competitive prices.

Risk Limit Management

In order to manage the risks arising from the over-concentration of assets with the same attributes in our asset portfolio, we have established a set of concentration limits comparable to those required under the CBRC risk management regulations. These indicators are commensurate with our risk appetite and include:

- accumulative risk exposure of a single customer may not exceed 10% of our net assets;
- accumulative risk exposure of a single corporate group customer may not exceed 15% of our net assets;
- remaining risk exposure of a single industry may not exceed 40% of our total assets;
- accumulative risk exposure of customers in a single region at a provincial/directly-controlled municipality level may not exceed 15% of our total assets; and
- accumulative risk exposure of our top ten customers may not exceed 50% of our net assets.

Each project exceeding any of the above indicators is to be approved by our Board. The calculation of the above limit indicators does not take into consideration the risk exposure of our aircraft leasing business and the PPP projects and government procurement projects we participate in. The above limit indicators are not applicable to our aircraft leasing business because the amount of a single aircraft leasing project is relatively large and aircraft assets usually have a higher level of liquidity. In respect of PPP projects and government procurement projects, we require that the accumulated net risk exposure of a single customer may not exceed 25% of our net assets. In respect of aircraft leasing business, the accumulative risk exposure to a single customer may not exceed 15% of our net assets.

In addition, we adjust the limit indicators in response to changes in our business scale and our asset quality, the macro economy and other external factors in a timely manner. The Risk Management Department sets the limit indicators at the beginning of each year based on our current financial budget. If any adjustments are necessary, the Risk Management Department is required to report to the internal department authorized to approve such adjustments for its review and approval with explanation of the reasons and basis for such adjustments.

Asset Portfolio Management

We manage our leased assets portfolio primarily through asset classification, provision and allowance management and NPA management.

Asset Classification

We adopt a five-category asset classification system comparable to the one under the Guidelines on Risk-based Loan Classification for banks issued by the CBRC. We classify our interest-earning assets (including finance lease receivables, factoring receivables, entrusted loans and other loans) into five categories, namely "Normal," "Special mention, " "Substandard," "Doubtful," and "Loss," based on their risk levels, and identify assets in the last three categories as NPAs. Apart from the above classifications, we further classify our interest-earning assets into 14 grades, including four grades for

Normal, three grades for Special mention, three grades for Substandard, three grades for Doubtful and one grade for Loss.

- ***Normal.*** The lessee can honor the terms of the contract and is able to repay the principal and interest in full on a timely basis.
- ***Special mention.*** The lessee currently has the ability to repay the principal and interest, but the repayment of principal and interest receivables could be adversely affected by specific factors.
- ***Substandard.*** The lessee's ability to repay the principal and interest is in question as it cannot rely entirely on normal operating revenues to repay the principal and interest in full, and losses may ensue even when collateral or guarantees are invoked.
- ***Doubtful.*** The lessee is unable to repay the principal and interest in full and losses will need to be recognized even when collateral or guarantees are invoked; and
- ***Loss.*** A minimal portion or no principal of, or interest on, the lease could be recovered after all possible measures have been taken and all legal remedies have been exhausted.

We classify our assets based on risks on a monthly basis. When classifying our assets, we consider various factors, including (i) the customer's ability and willingness to pay; (ii) the operating and financial conditions and cash flows of the customer; (iii) adverse changes, if any, in the condition of the customer's major shareholder, affiliated enterprises, parent company or subsidiaries; and (iv) the conditions of the leased equipment. The Asset Management Department is responsible for the preliminary five-category classification of our assets. The Risk Management Department is responsible for reviewing the classification, and the persons in charge of asset management, risk management and finance are responsible for approving the final classification results.

Provision and Allowance Management

We make provisions for our assets to recover impairment losses. The Asset Management Department, Risk Management Department and Finance Department are jointly responsible for provision management.

After the adoption of the IFRS 9, we monitor 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, we will measure the loss allowance based on lifetime rather 12-month expected credit losses ("ECL"). ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition.

NPA Management

Based on the probability of recovering NPAs, the progress of the recovery and disposition of NPAs, and the importance of relevant transactions, we take various measures to recover our credit assets, including: (i) making payment demands; (ii) requiring suppliers to repurchase the leased equipment; (iii) requiring the guarantor to perform its obligations or requiring a third party to repay on behalf of the customer; (iv) seizing or applying for court order to freeze the customer's core assets through litigations; (v) applying for court enforcement orders; and (vi) repossessing and/or disposing of the leased equipment.

In addition, we write off NPAs that cannot be recovered and meet the conditions for write-offs in accordance with our write-off policies. The Asset Management Department monitors assets that have been written off. We continue to collect the NPAs after they have been written off to reduce our losses.

Risk Management for MSE Customers

Our MSE Business Department has independent credit review and asset management personnel that carry out risk management for its business with MSEs within its respective scope of authority.

The MSE Business Department reports various risk monitoring indicators to the Risk Management Department, including overdue ratios calculated in terms of its MSE business, equipment suppliers, project managers and credit review personnel, on a regular basis. The MSE Business Department is supervised by the Risk Management Department in these aspects.

MSE customers generally have less financial, management, technical resources than LMEs. In addition to the risk management measures described under the heading "Credit Risk Management," we also adopt a wide range of measures to manage credit risks associated with our MSE business. These measures include:

- We formulate specific credit review guidelines for MSEs, and we target MSE customers with good creditworthiness in industries with high growth potentials. In general, we only serve MSEs from industries in the "Prioritized Support" and "Moderate Support" categories;
- We select high-quality suppliers to reduce supplier default risk in direct lease transactions and enter into repurchase arrangements with suppliers to the extent possible;
- We select leased assets that will retain a high residual value and have adequate market liquidity to ensure that we are able to sell the leased assets to reduce losses in case of customer defaults;
- With our local teams, we increase the frequency of visits to customers to understand the customer's credit status and to strengthen monitoring and control of regional risks; and
- We maintain a localized, quality and responsive asset management team to enhance our inspections of tangible leased assets and our collection of overdue receivables.

Risk Management of Commercial and Passenger Vehicle Leasing Business

We manage credit risks associated with our commercial vehicle and passenger vehicle leasing business primarily through the following measures:

- We evaluate the credit status of customers that lease passenger vehicles and commercial vehicles from us by engaging professional credit review personnel and utilizing credit score model;
- After disbursement of funds, we require the customers to designate us as the beneficiary of the mortgages on the leased passenger vehicles and commercial vehicles;
- We maintain a localized, professional and responsive asset management team to improve our ability to identify risks and to enhance our collection of overdue payments and the recovery and disposition of leased assets; and
- We monitor the use of passenger vehicles and commercial vehicles through GPS devices.

Risk Management of Aircraft Leasing Business

We commenced aircraft leasing business in October 2016. We are exposed to credit risks associated with our aircraft leasing business, namely the risk of losses if our airline company customers are unable to perform their contractual obligations when they become due. We manage such risks primarily through the following measures:

- We use dedicated credit rating model to assess the creditworthiness of airline companies;
- By utilizing information from public domain, potential counterparties and third-party professional databases, we analyze the conditions of an airline company, such as its shareholders' backgrounds, fleet size, operational and financial condition, market competitiveness as well as the risks associated with the regions and countries where it operates;
- We conduct due diligence investigations on the airline company to collect information, including but not limited to its financial condition, management team, business plans, competitors as well as information about the transaction structure and tax structure. We prepare written due diligence reports after completing such investigations;
- We maintain a "white list" for creditworthy airline companies. We review such list annually and update it on a dynamic basis. We only engage in businesses with airline companies in the white list; and
- We monitor the financial condition and credit status of an airline company customer on an ongoing basis after the lease term begins.

LIQUIDITY RISK MANAGEMENT

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

We continually improve our liquidity risk management framework with a clear division of liquidity risk management responsibilities among the Board, the Risk Management Committee, the senior management, the functional departments and business departments. The Risk Management Committee under the Board is responsible for providing opinions and recommendations to the Board in respect of liquidity risk management. The senior management is responsible for formulating liquidity risk management rules and procedures, coordinating the implementation of such rules and procedures and reviewing and approving our annual asset-liability allocation plans and risk tolerance. The Treasury Management Department is responsible for the day-to-day management of our liquidity risk, including formulating our various liquidity risk management rules and procedures and establishing our liquidity risk appetite and risk limits. The Risk Management Department is responsible for providing data support for the development and implementation of the liquidity risk management models.

We have established specific liquidity risk management measures which set out the objectives, principles, division of responsibilities and specific measures for liquidity risk management. We assess liquidity risk appetite, liquidity risk management strategies, policies and procedures at least once a

year, and revise them as necessary, taking into account factors such as business development, technology updates and market changes. Our liquidity risk management framework includes risk indicator management, day-to-day management, stress testing and contingency management plans.

Management of Liquidity Risk Control Indicators

We have developed a series of risk control indicators designed to identify and track liquidity risk based on Basel III. The indicators mainly include cash reserves, short-term liquidity ratio, medium-term liquidity ratio, liabilities-to-asset ratio and capital ratio, and cover short-, medium- and long-term liquidity risks. We have set thresholds for the these indicators to identify and determine our liquidity status, and established warning, reporting and contingency plans in respect of liquidity risk.

Daily Management of Liquidity Risk

In our daily management of liquidity risk, we manage the risks mainly from perspectives such as credit line, asset and liability structure, debt maturity structure, liability-to-asset ratio, liquidity management of reserve funds and daily liquidity risk. The Treasury Management Department is responsible for our daily liquidity risk management.

Management of Credit Line

Credit line refers to the maximum loan principal limit approved by a bank for the loan extended or to be extended to us. We continually track various information of existing credit lines, such as size, type, maturity and currency, and increase or adjust credit line on time as necessary. We prepare monthly draw-down plans according to our business needs, and make adjustments weekly on rolling basis.

Management of Asset and Liability Structure

Management of our asset and liability structure includes the determination of a reasonable level of liabilities-to-asset ratio, the monitoring and forecasting of our liability-to-asset ratio, as well as compliance with the predetermined maximum liability-to-asset ratio. We determine our applicable maximum liability-to-asset ratio annually as part of our risk appetite management efforts. Our maximum liability-to-asset ratio is currently set at 85.0%. The board is responsible for formulating our maximum liability-to-asset ratio and the Treasury Management Department is responsible for conducting day-to-day monitoring, forecasting and regular reporting of our liability-to-asset ratio.

Management of Liability Maturity Structure

Management of liability maturity structure includes formulating our strategy in determining our liability maturity structure, as well as tracking, forecasting and adjusting our liability maturity structure. Our Treasury Management Department is responsible for tracking and forecasting our liability maturity structure, analyzing the matching of our asset and liability duration and reporting to the management team on a regular basis. According to our current internal requirements, the percentage of short-term loans in our total loans generally shall not exceed 30%.

Liquidity Reserve Management

We prudently manage our liquidity reserve with an aim to securing sufficient liquidity for our day-to-day operations and repayment of our liabilities. We monitor the balance of our liquidity reserve

on a real time basis, prepare daily liquidity reserve report and allocate our funds in a flexible manner to satisfy our business needs.

Intra-day Liquidity Risk Management

We monitor capital expenditure and return on a day-to-day basis to ensure that we have intra-day liquidity position on a timely basis to meet our intra-day payment requirements in both normal and stress scenarios.

Stress Testing and Contingency Management Plan

The Treasury Management Department is responsible for performing liquidity stress testing and formulating liquidity contingency plans.

Through liquidity stress testing, the Treasury Management Department can make reasonable tests and judgments on the liquidity impact of various scenarios, understand and strengthen our liquidity management system, and avoid the shortage of capital inflows to cover capital outflow. Stress tests can be conducted for a particular business, a specific business line or our whole business. The scenarios assumptions include but are not limited to credit market shrinking, decreased recovery ratio of lease payment, early repayment of certain loans and unexpected large projects.

The Treasury Management Department also considers the results of stress tests according to scale, nature, complexity, risk level, organizational structure and market influence of the business, continually expands funding sources, formulates diversified liquidity supplement mechanism, reserves adequate buffer, and constantly enhances our capabilities to meet contingency liquidity needs. We grade liquidity risks based on liquidity status and availability of external financing, and formulate different contingency plans according to different grades. After formulating contingency plans, we regularly test and review them, and make amendments to them if necessary.

MARKET RISK MANAGEMENT

Market risk refers to the risk of losses to us resulting from an adverse movement of market prices. The market risks to which we are exposed mainly includes interest rate risk and exchange rate risk. The Board is responsible for reviewing and approving our annual market risk management plans, and the Treasury Management Department is responsible for managing market risks associated with our financing activities in accordance with applicable internal requirements.

We engage in derivatives transactions, mainly including swaps and currency forwards, to hedge against market risks. We have formulated policies, rules and procedures for the approval and carrying out of hedging transactions. Our Treasury Management Department is responsible for formulating annual plans for hedging transaction and submitting them to the Board of Directors for approval. Before entering into a hedging transaction, the Treasury Management Department prepares and submits a detailed term sheet to the appropriate authorized approver for approval. A proposed derivatives transaction is subject to the approval of the General Manager if the notional principal amount of each transaction is above RMB300 million but no more than RMB500 million. If the notional principal amount exceeds RMB500 million, the transaction is also required to be approved by the Board of Directors in addition to the approval of the General Manager. The Treasury Management Department is responsible for carrying out a derivatives transaction after it is approved. During the term of a hedging transaction, we monitor the financial conditions of the counterparty on an ongoing basis so as to ensure that the associated counterparty risk does not exceed the maximum position assigned to that counterparty.

Interest Rate Risk Management

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

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

We are exposed to US dollar interest rate risk. During the Track Record Period, we used interest rate swaps to hedge risks associated with fluctuations in US dollar interest rate. These interest rate swaps generally had a maturity ranging from one to three years and were measured at the fair value provided by the counterparties on a monthly basis. As of December 31, 2018, the nominal amount of our interest rate swaps amounted to RMB3,423 million.

Exchange Rate Risk Management

Exchange rate risk refers to the risk of our losses of overall revenue and economic value arising from adverse changes of exchange rate. Our exchange rate risk is mainly attributable to the mismatch of the currencies of our assets and liabilities.

We identify and measure the effects of changes in exchange rate on our operations mainly through exchange rate sensitivity analysis. In addition, we seek to hedge exchange rate risks by actively adjusting our asset/liability structure and, from time to time, by using derivatives such as currency forwards. As of December 31, 2018, the nominal amount of our currency forwards was RMB1,988 million.

LEGAL & COMPLIANCE RISK MANAGEMENT

Legal risk mainly refers to the risk of legal liabilities arising from violation of laws and regulations, breach of contracts, infringement of others' legal rights, or contracts or business activities we are involved in. Compliance risk refers to the risk that we may be subject to possible legal sanctions, regulatory penalties, significant financial losses and reputational losses due to failure to comply with laws, regulations and guidelines.

The Compliance and Commerce Department is primarily responsible for managing legal and compliance risks. It is mainly responsible for refining our contract documents, and providing legal and compliance support for business operations through studying relevant laws and regulations. We

designate the Asset Management Department to control the legal risk of managing NPAs. In addition, we have formulated a series of policies and procedures for the factoring business operation, on-site signing of contracts and confirmation of leased asset title, in order to effectively protect our interests and minimize our legal risk.

Particularly, in the case of aircraft leasing business, we may also face the risk of failure to recover aircraft from default customers' assets due to the legal framework of relevant jurisdictions. Therefore, before signing the relevant lease agreements, we will consider various factors, such as confirmation of property rights, currency controls, tax planning, aircraft registration requirements and enforceability of aircraft recovery, in order to assess the legal risk to conduct aircraft leasing business in certain jurisdictions, and reduce the loss we may suffer due to default of airline companies.

OPERATIONAL RISK MANAGEMENT

Operational risk refers to the risk of losses associated with deficiencies in internal processes, human errors and IT system failures, or impact from external sources. Our measures to manage our operational risk include, but are not limited to, establishing policies and manuals, collection of lost data, business continuity management and insurance. We have implemented a variety of measures to strengthen our operational risk management according to recommendations of our internal control advisor.

REPUTATIONAL RISK MANAGEMENT

Reputational risk is the risk of negative perception by stakeholders relating to our operations, management, or other actions that we take, as well as external events relating to us. We have reputational risk management policies, rules and procedures as well as the processes for identifying, monitoring, assessing and reporting reputational risks and resolving material reputational risk events under our comprehensive risk management framework. We have established a media affairs management team to manage our media-related matters, including management of public relations with media, public opinion monitoring and management of public relations in crisis, in order to closely monitor and properly resolve reputational risk events.

INTERNAL AUDIT

We adopt a risk-oriented approach for our internal audit. We carry out independent, objective internal audit to perform its supervisory, assessing and advisory functions and to supervise the management of major risks in order to support the Board, the Board of Supervisors and the senior management.

We have established an audit organization centered on the Audit Control Department. The Audit Control Department reports to the Board and its Audit Committee and also reports to the Board of Supervisors and the member(s) of the senior management in charge of internal audit. The Audit Control Department is subject to the guidance of the Board of Supervisors, and the supervision and evaluation of the Audit Committee and the senior management.

We have developed audit management measures and related audit system. The scope of audit covers the internal control and risk management process of our various business departments, functional departments, branches, holding subsidiaries and components of our business development, with particular focus on key businesses, key components and key positions. Our internal audit work mainly includes:

- auditing the soundness and effectiveness of corporate governance;

- auditing the compliance and effectiveness of operation and management;
- auditing the appropriateness and effectiveness of internal control;
- auditing the comprehensiveness and effectiveness of risk management;
- auditing the compliance and accuracy of accounting records and financial reports;
- auditing the continuity, reliability and security of information systems;
- auditing institutional operations and the senior management's performance;
- conducting relevant accountability audits within the scope of its authorization and duties; and
- auditing the rectification of deficiencies identified by the regulatory authorities in their monitoring and inspection, and auditing projects specified by the regulatory authorities.

RELATIONSHIP WITH HAITONG SECURITIES

OVERVIEW

Immediately following the completion of the **[REDACTED]**, Haitong Securities (through its wholly-owned subsidiaries, Haitong Capital Investment and Haitong International Holdings (which in turn through Haitong UT Capital, its wholly-owned subsidiary)) will hold approximately **[REDACTED]**% of the Shares (assuming the **[REDACTED]** is not exercised) or approximately **[REDACTED]**% of the Shares (if the **[REDACTED]** is exercised in full). Accordingly, the Company will remain as an indirectly owned subsidiary of Haitong Securities. See "History, Reorganization and Corporate Structure" for the corporate structure of the Group.

Haitong Securities was established in 1988 and listed on the Shanghai Stock Exchange (stock code of A share: 600837) and the Hong Kong Stock Exchange (stock code of H share: 6837) on July 31, 2007 and April 27, 2012, respectively. Haitong Securities Group is mainly engaged in wealth management business, investment banking business, asset management business, trading and institutional client services business, and financial leasing business.

Haitong Capital Investment is a wholly-owned subsidiary of Haitong Securities specializing in direct equity investment. In order to streamline the corporate structure, Haitong Capital Investment is expected to transfer its existing shareholding in the Company to another wholly owned subsidiary of Haitong Securities, Haitong Innovation Securities Investment, as soon as practicable subject to compliance with the applicable legal or regulatory requirements (including the restrictions on the transfer of shares as detailed in the sections headed "**[REDACTED]** – **[REDACTED]**" and "Share Capital – Transfer of Shares Issued Prior to the **[REDACTED]**"). Haitong Innovation Securities Investment primarily engages in the business of financial products investment, securities investment, investment consultancy and management. The proposed share transfer is subject to internal and external approval procedures and expected to be completed within one year from the expiration of the **[REDACTED]** period upon **[REDACTED]**. After **[REDACTED]**, once the proposed share transfer is effected or if there is any change to the proposed share transfer, the Company will publish announcement(s) as appropriate pursuant to the applicable Listing Rules. As the above proposed share transfer will be carried out between wholly-owned subsidiaries of Haitong Securities, it is expected that such transfer will not affect Haitong Securities' aggregate indirect shareholding percentage in the Company.

Haitong International Holdings is an important overseas business platform of Haitong Securities which makes overseas acquisitions and capital operations according to the overseas strategies of Haitong Securities. Its subsidiaries include Haitong International Securities Group, Haitong UT Capital and Haitong Bank, S.A., etc.. Haitong International Holdings itself is not engaged in any substantive business operations.

Haitong UT Capital mainly operates as an investment holding company.

INDEPENDENCE OF THE GROUP FROM HAITONG SECURITIES GROUP

The Directors are of the view that the Group is capable of carrying on its business independently from Haitong Securities Group following the completion of the **[REDACTED]** for the following reasons:

(a) Clear Delineation of Businesses

There is a clear and distinct delineation between the businesses of each of the Group and Haitong Securities Group. Following the completion of the **[REDACTED]**, the Group will mainly engage in

financial leasing business while Haitong Securities Group will mainly engage in wealth management business, investment banking business, asset management business, trading and institutional client services business, and financial leasing business. Haitong Securities Group will not carry on any financial leasing business other than through the Group.

In respect of each of the 25% equity interests in Gui'an UT, Haitong UniTrust Financial Leasing and Haitong UniFortune held by Haitong UT Capital, the Company entered into an agreement with Haitong UT Capital to acquire such equity interests on June 8, 2017. According to the agreement, during the period commencing on the effective date of the agreement until the execution of the documents for the transfer of equity interests between Haitong UT Capital and the Company or a third party designated by the Company and the completion of the filing/ approval/ registration procedures of the transfer, or such time as determined by both parties (the "Entrustment Period"), the Company shall exercise, on behalf of Haitong UT Capital, all shareholder's rights other than the rights to sell and to receive income (including cash dividend and stock dividend), including but not limited to the rights to decide and to vote and other shareholder's rights of such equity interests. Haitong UT Capital shall not exercise shareholder rights in respect of the above equity interests save for the rights of disposal and income rights during the Entrustment Period. Haitong UT Capital shall receive dividends (i.e. right to obtain proceeds) of the above equity interests during the Entrustment Period. On October 23, 2017, Haitong UT Capital entered into agreements with its wholly-owned subsidiary Haitong UT Holding Limited, and the Company, to transfer its 25% equity interest in each of Haitong UniTrust Financial Leasing and Haitong UniFortune to Haitong UT Holding Limited, at a consideration of approximately RMB361.9 million and RMB64.2 million (or equivalent USD or HKD), respectively. On November 20, 2017, Haitong UT Capital further entered into an agreement with Haitong UT Holding Limited, Gui'an Financial, and the Company, to transfer its 25% equity interest in Gui'an UT to Haitong UT Holding Limited at a consideration of approximately RMB378.5 million (or equivalent USD or HKD). Pursuant to these agreements, Haitong UT Holding Limited agreed to comply with the Entrustment Arrangement and Haitong UT Capital further agreed to subsequently transfer 100% equity interest of Haitong UT Holding Limited to the Group at a consideration determined on the basis of the then applicable latest unaudited net asset value of Haitong UT Holding Limited. On November 15, 2017, January 19, 2018 and June 15, 2018, 25% equity interests in each of Haitong UniFortune, Haitong UniTrust Financial Leasing and Gui'an UT were transferred by Haitong UT Capital to Haitong UT Holding Limited. For details, see "History, Reorganization and Corporate Structure."

(b) Financial Independence

The Group has adopted a diversified financing strategy and maintains good relationships with, and currently has bank financing facilities or loans from various financial institutions. In the past, we received certain financial assistance from Haitong Securities Group.

In 2014, Haitong UT Capital established a US$1 billion medium-term note program (the "MTN Program"). The issuer of the notes is Unican Limited ("Unican"), an offshore special purpose vehicle set up by Haitong UT Capital for the sole purpose of issuing notes. The MTN Program is guaranteed by Haitong UT Capital with a keepwell deed provided by Haitong Securities. Part of the proceeds raised from issuance of the notes under the MTN Program are provided to the Group by way of loans (the "MTN Loans") via Unican, Haitong International Holdings and Haitong UT Capital.

As of February 28, 2019, the total outstanding amount of the MTN Loans amounted to approximately RMB889.8 million, which was owed to Unican.

It is expected that the aggregate amount of such MTN Loans will not exceed US$550 million (or the equivalent). The MTN Loans are on normal commercial terms and bear interests calculated based on the interest rates of the notes issued by Unican plus the taxes and other costs incurred by Unican for the issuance of the notes.

Unican is not transferred to the Group as part of the Reorganization as such change in ownership of Unican may trigger redemption obligations under the MTN Program. In the event of a request for redemption, there would be an adverse impact on the liquidity of the Group and a significant increase in the refinancing costs, which would be detrimental to the interests of the shareholders of the Group. In addition, if Unican was transferred to the Group, there would be practical and commercial difficulties in the release of Haitong UT Capital and Haitong Securities from their respective obligations under the guarantee and the keepwell deed. Such release will constitute a breach of the terms of the MTN Program, and the Group may be demanded to immediately repay the notes issued under the MTN Program. Further, if the notes were to be redeemed prematurely, the Group would need to refinance and incur substantial refinancing costs, which would not be in the best interests of the Shareholders of the Group.

In July 2017, Haitong UT Capital, being a lender under two loan facilities with an independent third party borrower in an aggregate outstanding principal amount of US$10 million, assigned these loan facilities to our subsidiary, Haitong UT Leasing Irish Holding Corporation Limited. In consideration of such assignment, Haitong UT Leasing Irish Holding Corporation Limited agreed to pay Haitong UT Capital US$10.03 million, which was determined with reference to the outstanding principal amounts of the loan facilities and the accrued interests as of the date of assignment. After the assignment, the outstanding amounts under two loan facilities will be repaid by the borrower to Haitong UT Leasing Irish Holding Corporation Limited by installments and the last installment of the two loan facilities will become due in April 2021 and January 2024, respectively. Haitong UT Leasing Irish Holding Corporation Limited expects to pay the consideration to Haitong UT Capital on or around the due dates of the loan facilities. The Company believes it is not in the best interests of the Group to pay the consideration to Haitong UT Capital before the due dates of the loan facilities as the Group will incur additional financing costs.

In the ordinary course of business, the Group issued asset-backed securities, short-term commercial papers and other debt instruments. As of February 28, 2019, Haitong Securities subscribed for an aggregate principal amount of RMB398 million of such debt instruments issued by the Group, with coupon rates ranging from 3.48% to 5.84%, and maturity dates ranging from August 19, 2019 to February 18, 2021. The Company believes it is not in the best interests of the Group if the debt instruments were to be redeemed prematurely, since the Group would need to refinance and incur additional refinancing costs.

In the ordinary course of business, the Group has obtained credit facilities from a number of independent third party financial institutions and banks without financial assistance from Haitong Securities Group. As of February 28, 2019, the Group's unutilized credit facilities from independent third parties amounted to approximately RMB35.0 billion. Further, as of February 28, 2019, the aggregate amount of bonds approved by the relevant PRC regulatory authorities which are yet to be issued by the Company amounted to approximately RMB18.7 billion. Taking into consideration of (i) the unutilized credit facilities from a number of independent third party financial institutions and banks without financial assistance from Haitong Securities Group, together with the amount of bonds approved by the relevant PRC regulatory authorities which well exceeds the aggregate amount of the MTN Loans, the consideration for the above assignment of the loan facilities and the amount of debt instruments subscribed by Haitong Securities; (ii) as of February 28, 2019, our total indebtedness

amounted to approximately RMB61.2 billion and, as compared with the size of the total indebtedness of the Group, the amount of the MTN Loans, the consideration for the above assignment of the loan facilities and the amount of debt instruments subscribed by Haitong Securities is relatively small; and (iii) the Group, being engaged in financial leasing business, has a strong financial position with an established business track record, the Directors are of the view that the Group is able to operate its businesses while being financially independent from Haitong Securities Group.

(c) Independence of Directors and Management

The Board of Directors consists of nine Directors, comprising two executive Directors, three non-executive Directors and four independent non-executive Directors.

Currently, Mr. Ding Xueqing, our executive Director, also serves as the director of Haitong UT Capital. Mr. Ren Peng, our non-executive Director, also serves as the deputy general manager and chairman of the investment banking committee of Haitong Securities and the chairman of the board of directors of Haitong UT Capital and the director of Haitong International Holdings; Mr. Wu Shukun, our non-executive Director, also serves as the director of Haitong UT Capital, general manager of strategic development department of Haitong Securities, director of Shanghai Haitong Resource Management Co., Ltd. and the director of HFT Investment Management Co., Ltd.; and Mr. Zhang Shaohua, our non-executive Director, serves as the director of Haitong Innovation Securities Investment and deputy general manager of capital management department of Haitong Securities. Save as disclosed above, none of our Directors or senior management hold any directorship or other positions in Haitong Securities Group. The Directors are of the view that the Board of Directors and the senior management of the Group are able to function independently of Haitong Securities Group for the following reasons:

(i) each of our Directors is aware of his or her fiduciary duties as a director which require, among other things, that he or she acts for the benefit and in the best interests of our Company and does not allow any conflict between his or her duties as a Director and his or her personal interests;

(ii) in the event of potential conflict of interests arising out of any transactions to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant Board meetings in respect of such transaction, and shall not be counted in the quorum;

(iii) as Haitong UT Capital is an investment holding company, Mr. Ding Xueqing will not devote a lot of time in it. Mr. Ren Peng, Mr. Wu Shukun and Mr. Zhang Shaohua, as our non-executive Directors, do not participate in the normal business operation of the Company. As members of the Board of Directors, Mr. Ren Peng, Mr. Wu Shukun and Mr. Zhang Shaohua will only participate in the formulation of corporate and business strategies, and the decision-making on major issues of the Company.

(iv) we have appointed four independent non-executive Directors (accounting for more than one-third of the Board of Directors) to balance the number of interested Director(s) and independent non-executive Director(s) for the protection of the interests of the Group and the Shareholders as a whole;

(v) Our executive Director Ms. Zhou Jianli and our independent non-executive directors Mr. Jiang Yulin, Mr. Yo Shin, Mr. Zeng Qingsheng and Mr. Wu Yat Wai do not hold any directorship or other positions in Haitong Securities Group. Together with other members of

the senior management, they have an appropriate mix of relevant experience. For details, see "Directors, Supervisors and Senior Management" ; and

(vi) the Company has also established internal control mechanisms for identifying connected transactions in order to ensure that the Shareholders or Directors who have interests in proposed transactions abstain from voting in respect of the relevant resolutions.

Based on the above, the Directors are of the view that our management is independent from our Controlling Shareholders.

(d) Operational Independence

We have an established organizational structure with a clear division of responsibilities among different departments. We do not rely on our Controlling Shareholders or their associates in our business operations. We have also obtained all necessary licenses for conducting and operating our businesses. We have our own customers with whom we communicate and maintain relationships independently. We are capable, in terms of our capital, facilities and employees, of operating our businesses independently.

We have entered into various continuing connected transactions with Haitong Securities in respect of the provision of services by Haitong Securities and/or its controlled companies to us, and vice versa. All the connected transactions are conducted on an arm's length basis, on normal or better commercial terms to the Group and in the ordinary course of business of the Group. Haitong Securities and/or its controlled companies do not obtain or provide such services on an exclusive basis. For details, see "Connected Transactions."

In the ordinary course of business, Haitong Securities Group provided business referral services to our Group. The details of the business referral services are set out in "Connected Transactions – C. Non-Exempt Continuing Connected Transactions – 1. Business Referral Services with Haitong Securities and/or its Controlled Companies". For each of the three years ended December 31, 2016, 2017 and 2018, the revenue of our Group originating from such business referrals accounted for approximately 13.8%, 11.9% and 8.6% of the total revenue of our Group respectively. The remaining revenue of our Group was generated without business referral from Haitong Securities Group. For the year ended December 31, 2018, the revenue of the Group generated without business referral from the Haitong Securities Group was approximately RMB4.88 billion, which is well above HK$500 million as required under the market capitalization/revenue test. Based on the above, the Directors are of the view that the business referral services will not affect the operational independence of the Group from Haitong Securities Group.

Therefore, the Directors are of the view that the business operation of the Group is independent from Haitong Securities Group.

DIRECTORS' INTEREST IN COMPETING BUSINESSES

Apart from the businesses of the Group, none of the Directors is interested in any businesses which competes or is likely to compete, either directly or indirectly, with the Group's businesses.

OVERVIEW

Upon the **[REDACTED]**, transactions between us and our Connected Persons will constitute our connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules.

CONNECTED PERSONS

Upon the **[REDACTED]**, Haitong UT Capital and Haitong Capital Investment are our substantial shareholders and are therefore our Connected Persons. As Haitong Securities owns 100% equity interest in Haitong UT Capital through Haitong International Holdings, its wholly-owned subsidiary, and Haitong Securities directly owns 100% equity interest in Haitong Capital Investment, Haitong Securities and companies in which Haitong Securities is entitled to exercise or control the exercise of 30% or more of the voting rights at general meetings of such companies (the "Controlled Companies") are associates of Haitong UT Capital and Haitong Capital Investment, and are therefore our Connected Persons.

A. OUR ONE-OFF CONNECTED TRANSACTION

The following transaction was entered into between the Group and our Connected Person during the Track Record Period, which constitutes one-off connected transaction under Chapter 14A of the Listing Rules.

1. Debt instruments subscribed by Haitong Securities

In the ordinary course of business, the Group issued asset-backed securities, short-term commercial papers and other debt instruments. As of February 28, 2019, Haitong Securities subscribed for an aggregate principal amount of RMB398 million of such debt instruments issued by the Group, with coupon rates ranging from 3.48% to 5.84%, and maturity dates ranging from August 19, 2019 to February 18, 2021.

As the ultimate controlling shareholder of the Company, Haitong Securities is a Connected Person and transactions between Haitong Securities and us will constitute connected transactions upon **[REDACTED]**.

B. EXEMPT CONTINUING CONNECTED TRANSACTIONS

Upon the **[REDACTED]**, the following transactions will constitute continuing connected transactions exempt from the reporting, announcement, annual review and independent shareholders' approval requirements under Rule 14A of the Listing Rules.

1. MTN Loans

(a) Description of the Transaction

In 2014, Haitong UT Capital established a US$1 billion medium-term note program (the "MTN Program"). The MTN Program was guaranteed by Haitong UT Capital and supported by a keepwell deed entered into by Haitong Securities. Part of the proceeds raised from the medium-term notes issued under the MTN Program was provided to the Group by means of loans from Haitong International Holdings, Haitong UT Capital and/or Unican Limited, a wholly owned subsidiary of Haitong UT Capital. Such loans were provided on normal commercial terms and bear interests determined with reference to interests payable under the medium-term notes issued, together with tax payments and other expenses incurred from issuance of the notes. The Group, as borrower, did not provide any security for such agreements.

(b) Listing Rules Implications

As the above loans constitute financial assistance provided by Connected Persons for the benefit of the Group on normal commercial terms (or commercial terms more favorable to the Group) where the Group did not provide security over its assets, they would, upon the **[REDACTED]**, be exempt from the reporting, announcement, annual review and independent shareholders' approval requirements pursuant to Rule 14A.90 of the Listing Rules.

See "Relationship with Haitong Securities — Independence of the Group from Haitong Securities Group — (b) Financial Independence" for details.

2. Compliance Advisor Agreement

(a) Description of the Transaction

On June 22, 2017, the Company appointed Haitong International Capital as our compliance advisor to provide compliance advisory services in accordance with Rule 3A.19 of the Listing Rules. The term of appointment will commence from the **[REDACTED]** and end on the date of distribution of the annual report of the Company in respect of the first full financial year commencing after the **[REDACTED]** in compliance with Rule 13.46 of the Listing Rules.

(b) Listing Rules Implications

As the highest applicable percentage ratio is less than 0.1% with respect to the annual compliance advisory fee, such transaction constitutes a *de minimis* continuing connected transaction and would be exempt from the reporting, announcement and independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

3. Trademark License Agreement

(a) Description of the Transaction

On June 19, 2017, the Company, Haitong UniTrust Financial Leasing and Haitong UniFortune as licensees (the "Licensees"), entered into a trademark license agreement (the "Trademark License Agreement") with Haitong Securities. Pursuant to the Trademark License Agreement, Haitong Securities granted the Licensees a non-exclusive license for the use of certain registered trademarks of Haitong Securities for the validity period of the trademarks. For details of the trademarks, see "Appendix VI — Statutory and General Information — Further Information about our Business — Intellectual Property Rights — Trademarks." The license is granted on a royalty-free basis at nil consideration. The Joint Sponsors and our Directors are each of the view that entering into the Trademark License Agreement for a period longer than three years promotes stability in operations and is beneficial to our Shareholders as a whole.

(b) Listing Rules Implications

As the trademark is licensed to the Company on a royalty-free basis at nil consideration where the highest applicable percentage ratio is less than 0.1% on an annual basis, such transaction constitutes a *de minimis* continuing connected transaction and would be exempt from the reporting, announcement and independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

C. NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We have conducted the following transactions with Haitong Securities and/or its Controlled Companies in the ordinary and usual course of our business, which will, upon **[REDACTED]**, constitute continuing connected transactions of our Group subject to the annual reporting, announcement and (as the case may be) independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Nature of transaction	Historical amounts	Proposed annual cap for the year ending December 31,
	(RMB in millions)	(RMB in millions)
Non-exempt continuing connected transactions (subject to reporting and announcement requirements)		
1. Business Referral Framework Agreement		
Payment of service fees by the Group to Haitong Securities and/or its Controlled Companies	Year ended December 31, 2016: 14.3 Year ended December 31, 2017: 7.1 Year ended December 31, 2018: 12.3	2019: 19.7 2020: 27.6 2021: 38.6
Payment of service fees by Haitong Securities and/or its Controlled Companies to the Group	Year ended December 31, 2016: Nil Year ended December 31, 2017: Nil Year ended December 31, 2018: Nil	2019: 7.0 2020: 9.8 2021: 13.7
Non-exempt continuing connected transactions (subject to reporting, announcement and independent Shareholders' approval requirements)		
1. Financial Service Framework Agreement		
Payment of service fees by the Group to Haitong Securities and/or its Controlled Companies[1]	Year ended December 31, 2016: 34.1 Year ended December 31, 2017: 22.4 Year ended December 31, 2018: 43.9	2019: 274.9 2020: 85 2021: 100
2. Financial Products Investment Framework Agreement		
Maximum daily balance of financial products purchased by the Group from Haitong Securities and/or its Controlled Companies	Year ended December 31, 2016: 670 Year ended December 31, 2017: 722 Year ended December 31, 2018: 750	2019: 800 2020: 800 2021: 800

Nature of transaction	Historical amounts	Proposed annual cap for the year ending December 31,
	(RMB in millions)	(RMB in millions)
Payment of income by Haitong Securities and/or its Controlled Companies to the Group	Year ended December 31, 2016: 4.6 Year ended December 31, 2017: 19.9 Year ended December 31, 2018: 2.3	2019: 5.0 2020: 5.0 2021: 5.0

(1) For certain asset management programs issued by the Group where Haitong Securities and/or its Controlled Companies acted as product managers, the services fees are included in the interest payments to Haitong Securities and are not separately provided for. As for the service fees for such asset management programs, the Group calculated the service fees as the interest paid by the Group in respect of such products.

1. Business Referral Services with Haitong Securities and/or its Controlled Companies

(a) Description of the Transaction

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

On [●], 2019, the Company entered into a business referral framework agreement with Haitong Securities (the "Business Referral Framework Agreement") 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 in return for such services to the other party. The Business Referral Framework Agreement provides that all service fees shall be (i) negotiated on arm's length basis after taking into consideration of the types of customers referred, categories of projects, the extent of the participation and contribution of the referrer in the project referred (such as participation in negotiation, actual promotion and completion of the project or the provision of continuing follow-up service for the project) and other factors; (ii) determined on normal commercial terms with the fee not less favorable than that obtainable from independent third parties for similar and comparable services; and (iii) in compliance with, amongst others, the Listing Rules and applicable laws.

The Business Referral Framework Agreement will be effective from the **[REDACTED]** and expire on December 31, 2021 and is renewable upon mutual agreement, subject to compliance with the then applicable provisions of the Listing Rules.

(b) Historical Transaction Amounts

The amount of service fee paid by the Group to Haitong Securities and its Controlled Companies for the three years ended December 31, 2016, 2017 and 2018 were approximately RMB14.3 million, RMB7.1 million and RMB12.3 million respectively. For the three years ended December 31, 2016, 2017 and 2018, Haitong Securities and its Controlled Companies did not pay any service fee to the Group.

(c) Caps on Future Transaction Amounts

The annual service fee to be paid by the Group to Haitong Securities and/or its Controlled Companies, or to be paid by Haitong Securities and/or its Controlled Companies to the Group for each

of the three years ended December 31, 2019, 2020 and 2021 will not exceed the annual caps set out below:

	Proposed annual caps for the year ended December 31,		
	2019	2020	2021
		(RMB in millions)	
Service fee to be paid by the Group to Haitong Securities and/or its Controlled Companies	19.7	27.6	38.6
Service fee to be paid by Haitong Securities and/or its Controlled Companies to the Group	7.0	9.8	13.7

The proposed annual caps are determined based on: (i) the historical service fees paid during the three financial years ended December 31, 2018; (ii) the Group's business development plans for the coming three years; (iii) the future expansion of customer bases of the Group, Haitong Securities and its Controlled Companies and the expected business referral services to be provided by the Group to Haitong Securities and/or its Controlled Companies upon **[REDACTED]** and (iv) the expected rates of referral fees taking into account the historical rates and the market rates.

(d) Listing Rules Implications

As the highest applicable percentage ratio in respect of each of the caps, calculated on an annual basis, is higher than 0.1%, but lower than 5%, such continuing connected transaction will, upon the **[REDACTED]**, 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 Services Provided by Haitong Securities and/or its Controlled Companies

(a) Description of the Transactions

Haitong Securities and its Controlled Companies provide underwriting and/or asset management services in respect of the asset management plans, debt securities, asset-backed securities schemes and income certificates issued by the Group on normal commercial terms in the ordinary and usual course of their business. See "Financial Information – Indebtedness" for details and outstanding amounts of the debt securities, asset-backed securities schemes and income certificates issued by the Group and financial assets sold under repurchase agreements with the asset management plans issued by the Group.

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

The Financial Service Framework Agreement will be effective from the **[REDACTED]** and expire on December 31, 2021 and is renewable upon mutual agreement, subject to compliance with the then applicable provisions of the Listing Rules.

(b) Historical Transaction Amounts

The service fees paid by the Group to Haitong Securities and its Controlled Companies for the three years ended December 31, 2016, 2017 and 2018 were approximately RMB34.1 million, RMB22.4 million and RMB43.9 million, respectively. For certain asset management programs by the Group where Haitong Securities and/or its Controlled Companies acted as product managers, the services fees are included in the interest payments to Haitong Securities and are not separately provided for. For the purpose of calculation of the historical amounts, the service fees for such asset management programs are calculated as the interest paid by the Group in respect of such products.

(c) Caps on Future Transaction Amounts

The annual service fee to be paid by the Group to Haitong Securities and/or its Controlled Companies for each of the three years ended December 31, 2019, 2020 and 2021 will not exceed the annual caps set out below:

	Proposed annual caps for the year ended December 31,		
	2019	**2020**	**2021**
		(RMB in millions)	
Service fee to be paid by the Group to Haitong Securities and/or its Controlled Companies	274.9	85	100

The proposed annual caps are determined based on: (i) the historical service fees paid during the three financial years ended December 31, 2018; (ii) the Group's financing arrangements and plans in 2019, whereas the Group intends to expand the offering sizes of direct financing in 2019, including issuing asset-backed securities schemes, corporate bonds, medium-term notes, short-term commercial papers and ultra-short-term commercial papers. As underwriting fees of asset-backed securities schemes and corporate bonds are typically charged on an one-off basis rather than being amortized over the term of issuance, it is expected that there will be a relatively large increase in the service fees for 2019 over 2018; (iii) the Group's business development plans for the coming three years; (iv) the expected growth of the Group's financing needs in the coming three years and the corresponding demand for underwriting and asset management services; (v) the sponsor engagement fee to Haitong International Capital and the expected **[REDACTED]** to Haitong International Securities for the Company's **[REDACTED]**, expected to be paid out after the **[REDACTED]**, which accounts for the significant increase in the proposed annual cap for the year ended December 31, 2019 and (vi) the term and annual service fees for asset management programs, bonds, asset-backed securities schemes and income certificates issued by the Group in relation to which Haitong Securities and/or its Controlled Companies is providing underwriting and/or asset management services. The proposed annual cap for the year ended December 31, 2019 is expected to be RMB90 million without taking into account the sponsor fee payable to Haitong International Capital and the expected maximum **[REDACTED]** payable to Haitong International Securities.

(d) Listing Rules Implications

As the highest applicable percentage ratio in respect of each of the caps is higher than 5% on an annual basis, such continuing connected transaction will, upon the **[REDACTED]**, be subject to the annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

3. Investment in Financial Products Provided by Haitong Securities and/or its Controlled Companies

(a) Description of the Transactions

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

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

The Financial Products Investment Framework Agreement will be effective from the **[REDACTED]** and expire on December 31, 2021 and is renewable upon mutual agreement, subject to the then applicable provisions of the Listing Rules.

(b) Historical Transaction Amounts

The maximum daily balance of Financial Products purchased by the Group from Haitong Securities and its Controlled Companies for the three years ended December 31, 2016, 2017 and 2018 were approximately RMB670 million, RMB722 million and RMB750 million, respectively.

The amount of the Financial Products purchased by the Group from Haitong Securities and its Controlled Companies for the three years ended December 31, 2016, 2017 and 2018 were approximately RMB1,161.6 million, RMB1,200 million and RMB2,250 million, respectively. The fair value of the outstanding balances at the end of the above periods were RMB677.0 million, RMB0 and RMB558 million, respectively. The Financial Products purchased by the Group from Haitong Securities and its Controlled Companies during the Track Record Period either had no fixed term or had a term ranging from 7 days to 2 years.

The income from the Financial Products purchased by the Group from Haitong Securities and its Controlled Companies for the three years ended December 31, 2016, 2017 and 2018 were approximately RMB4.6 million, RMB19.9 million and RMB2.3 million, respectively.

(c) Caps on Future Transaction Amounts

The maximum daily balance of Financial Products purchased by the Group from Haitong Securities and/or its Controlled Companies, and the annual income from such Financial Products for each of the three years ending December 31, 2019, 2020 and 2021 will not exceed the annual caps set out below:

	Proposed annual caps for year ended December 31,		
	2019	2020	2021
		(RMB in millions)	
Maximum daily balance of Financial Products purchased by the Group from Haitong Securities and/or its Controlled Companies	800	800	800
Income to be paid by Haitong Securities and/or its Controlled Companies to the Group	5.0	5.0	5.0

The proposed annual caps are determined based on: (i) historical maximum balances of the Financial Products purchased by the Group and the income received during the three financial years ended December 31, 2018; (ii) the size of the **[REDACTED]** and the expected increase in the cash balance of the Group; (iii) the expected utilization rate of funds in the Group's business operations and its expected trend over the coming three years; (iv) the Group's business development plans; (v) the increase in the prevailing market interest rates and (vi) the expected rates of return of Financial Products.

(d) Listing Rules Implications

As the highest applicable percentage ratio in respect of each of the caps is higher than 5% on an annual basis, such continuing connected transaction will, upon the **[REDACTED]**, be subject to the annual review, reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

D. INTERNAL CONTROL PROCEDURES ADOPTED BY THE COMPANY IN RESPECT OF THE IMPLEMENTATION OF NON-EXEMPT CONTINUING CONNECTED TRANSACTION FRAMEWORK AGREEMENTS

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

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

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

- In determining the provision of services or financial products to the Company, Haitong Securities and/or its Controlled Companies will provide fee quotes to the Company in advance. As mentioned above, in order to ensure that the pricing policies under relevant framework agreements for the non-exempt continuing connected transactions are fair and reasonable, the general office of the Board and the Compliance and Commerce Department of the Company shall review the prices proposed by Haitong Securities and/or its Controlled Companies through the following review procedures:

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

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

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

- In determining the actual fee for the referral services provided by the Company to Haitong Securities and/or its Controlled Companies, the Company will consider factors such as the nature and costs of services rendered, our profit margin and the referral fees we charge independent third parties for similar services to determine whether the relevant pricing policies are fair and reasonable. In addition, as mentioned above, in order to ensure the fairness and reasonableness of the pricing policies under the relevant framework agreements for the non-exempt continuing connected transactions, the general office of the Board and the Compliance and Commerce Department of the Company will follow the corresponding review procedures to evaluate the price to ensure it is consistent with the pricing policies under the relevant agreements for the non-exempt continuing connected transactions, and the terms offered by the Company to Haitong Securities and/or its Controlled Companies are no less favorable to the Company than those offered to independent third parties.

E. WAIVER APPLICATION FOR NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

As the non-exempt continuing connected transactions described in this section will be carried out on a continuing basis and will extend over a period of time, the Directors consider that strict compliance with the announcement and independent shareholders' approval requirements under the Listing Rules would be impractical and unduly burdensome and would impose unnecessary administrative costs upon the Company. Accordingly, the Company has applied for, and the Stock Exchange [has granted], a waiver from strict compliance with the announcement and (as the case may be) independent shareholders' approval requirements in relation to the non-exempt continuing connected transactions described in this section.

The Company will, however, comply at all times with the other applicable provisions under Chapter 14A of the Listing Rules in respect of these non-exempt continuing connected transactions.

F. CONFIRMATION FROM THE DIRECTORS AND THE JOINT SPONSORS

The Directors (including the independent non-executive Directors) are of the view that the non-exempt continuing connected transactions described in this section have been and will be entered into in the ordinary and usual course of business of the Group, on normal or more favorable commercial terms that are fair and reasonable and in the interests of the Shareholders as a whole, and that the proposed annual caps for the non-exempt continuing connected transactions described in this section are fair and reasonable, and in the interests of the Group and the Shareholders as a whole.

The Joint Sponsors have reviewed the relevant information and historical figures prepared and provided by the Company relating to the non-exempt continuing connected transactions described in this section, and have obtained confirmation from the Company. Based on the Joint Sponsors' due diligence, the Joint Sponsors are of the view that the non-exempt continuing connected transactions described in this section have been and will be entered into in the ordinary and usual course of business of the Group, on normal or more favorable commercial terms are fair and reasonable and in the interests of the Group and the Shareholders as a whole, and that the proposed annual caps for the non-exempt continuing connected transactions described in this section are fair and reasonable, and in the interests of the Group and the Shareholders as a whole.

OVERVIEW

Our Board consists of nine Directors, among which, two are executive Directors, three are non-executive Directors and the remaining are independent non-executive Directors. All Directors are elected at the Shareholders' meetings. The Directors serve for a term of three years and shall be subject to re-election upon expiry of the term of office. Independent non-executive Directors shall not hold office for more than six consecutive years.

Our Board of Supervisors consists of three Supervisors, including the chairman of the Board of Supervisors. The Supervisors include two employee representative Supervisors and one non-employee representative Supervisor. The non-employee representative Supervisors are elected by the Shareholders through cumulative voting system, and the employee representative Supervisor is elected by the employees through democratic elections. Supervisors serve for a term of three years and shall be subject to re-election upon expiry of the term of office.

The following tables set forth information regarding our Directors, Supervisors and senior management. All of the Directors, Supervisors and senior management have met the qualification requirements under the relevant PRC laws and regulations and the Hong Kong Listing Rules for their respective positions.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The following table sets forth the key information of our Directors:

Name	Age	Date of joining our Group	Date of appointment as Director	Position	Responsibility
Mr. Ren Peng (任澎)	56	June 2014	June 2014	Chairman of the Board Non-executive Director Chairman of the Nomination Committee	Overseeing the affairs of the Board and supervising and inspecting the implementation of the Board resolutions; participating in decision-making in respect of major issues, such as business operation strategies
Mr. Ding Xueqing (丁學清)	55	November 2014	November 2014	Executive Director General Manager	Participating in decision-making in respect of major issues such as business operation strategies; in charge of the operation and management of the Company; responsible for managing the Strategic Development Department and Human Resources Department of the Company, Haitong Unifortune and Haitong UT Leasing HK

Name	Age	Date of joining our Group	Date of appointment as Director	Position	Responsibility
Mr. Wu Shukun (吳淑琨)	46	April 2017	April 2017	Non-executive Director	Participating in decision-making in respect of major issues, such as business operation strategies
Mr. Zhang Shaohua (張少華)	51	January 2014	January 2014	Non-executive Director	Participating in decision-making in respect of major issues, such as business operation strategies
Ms. Zhou Jianli (周劍麗)	46	February 2014	May 2017	Executive Director Deputy General Manager Chief Financial Officer	Participating in decision-making in respect of major issues, such as business operation strategies; responsible for managing the Financial Planning Department, Capital Management Department, Shanghai Dingjie Construction Development Co., Ltd., Shanghai UniCircle, Haitong UniTrust Financial Leasing and Gui'an UT
Mr. Jiang Yulin (蔣玉林)	60	May 2017	May 2017	Independent Non-executive Director Chairman of the Remuneration and Evaluation Committee	Participating in decision-making in respect of major issues, such as business operation strategies; and providing independent opinions on major issues involving the interests of minority Shareholders
Mr. Yo Shin (楊辰)	54	May 2017	May 2017	Independent Non-executive Director Chairman of the Risk Management Committee	Participating in decision-making in respect of major issues, such as business operation strategies; and providing independent opinions on major issues involving the interests of minority Shareholders
Mr. Zeng Qingsheng (曾慶生)	44	May 2017	May 2017	Independent Non-executive Director Chairman of the Audit Committee	Participating in decision-making in respect of major issues, such as business operation strategies; and providing independent opinions on major issues involving the interests of minority Shareholders

Name	Age	Date of joining our Group	Date of appointment as Director	Position	Responsibility
Mr. Wu Yat Wai (胡一威)	50	May 2017	May 2017	Independent Non-executive Director	Participating in decision-making in respect of major issues, such as business operation strategies; and providing independent opinions on major issues involving the interests of minority Shareholders

The following table sets forth the key information of our Supervisors:

Name	Age	Date of joining our Group	Date of appointment as Supervisor	Position	Responsibility
Ms. Wang Meijuan (王美娟)	54	January 2014	January 2014	Chairman of the Board of Supervisors Non-employee representative Supervisor	Overseeing the affairs of the Board of Supervisors and supervising business operation and financial activities of our Company as well as the performance of Directors and senior management
Ms. Zhao Yue (趙越)	36	August 2016	May 2017	Employee representative Supervisor	Supervising business operation and financial activities of our Company as well as the performance of Directors and senior management on behalf of employees
Mr. Chen Xinji (陳新計)	32	November 2016	June 2017	Employee representative Supervisor	Supervising business operation and financial activities of our Company as well as the performance of Directors and senior management on behalf of employees

The following table sets forth the key information of our senior management:

Name	Age	Date of joining our Group	Date of appointment as senior management	Position	Responsibility
Mr. Ding Xueqing (丁學清)	55	November 2014	November 2014	Executive Director General Manager	Participating in decision-making in respect of major issues, such as business operation strategies; in charge of the operation and management of the Company; responsible for managing the Strategic Development Department and Human Resources Department of the Company,

Name	Age	Date of joining our Group	Date of appointment as senior management	Position	Responsibility
					Haitong Unifortune and Haitong UT Leasing HK
Ms. Zhou Jianli (周劍麗)	46	February 2014	February 2014	Executive Director Deputy General Manager Chief Financial Officer	Participating in decision-making in respect of major issues, such as business operation strategies; responsible for managing the Financial Planning Department, Capital Management Department, Shanghai Dingjie Construction Development Co., Ltd., Shanghai UniCircle, Haitong UniTrust Financial Leasing and Gui'an UT
Mr. Liu Heping (劉和平)	50	November 2014	November 2014	Deputy General Manager Chief Legal Officer	Responsible for managing the Asset Management Department, and the Risk Management Department of the Company
Ms. Wu Jian (吳健)	45	November 2014	November 2014	Deputy General Manager Chief Human Resources Officer	Responsible for managing the Audit Control Department and the Party Affairs Department of the Company and participates in the management of the Human Resources Department
Mr. Fu Da (傅達)	32	December 2014	November 2015	Deputy General Manager Chief Risk Officer Secretary to the Board	Responsible for managing the general office of the Board, Division 1 and Division 2 of the Credit Approval Department
Mr. Lu Yang (路陽)	39	August 2010	November 2015	Deputy General Manager	Responsible for managing the Industrials Department, Construction Department, Public Services Department, Health Care Department, Institution and Internet Finance Department and MSE Business Department

Name	Age	Date of joining our Group	Date of appointment as senior management	Position	Responsibility
Mr. Gao Yong (高勇)	56	July 2015	August 2018	Compliance Officer	Responsible for the management of the Business Department and the Compliance Department of the Company
Mr. He Chen (何晨)	54	December 2016	August 2018	Assistant to General Manager	Responsible for the management of the office of the General Manager and the Information Technology Department of the Company
Ms. Sang Linna (桑琳娜)	42	April 2009	March 2019	Assistant to General Manager	Responsible for managing 17 branches and assist in the management of Gui'an UT and Marketing Management Department

Directors

Mr. Ren Peng (任澎), aged 56, is our Chairman of the Board and non-executive Director. Mr. Ren has been appointed as the Chairman of our Company since June 2014. Mr. Ren also serves as the deputy general manager and chairman of the investment banking committee of Haitong Securities since March 2010; the director of China-Belgium Direct Equity Investment Fund since March 2011; a chairman of the board of directors of Haitong UT Capital since June 2014; director of Haitong UniFortune, Haitong International Holdings and Shanghai UniCircle since July 2014; and a director of Haitong UniTrust Financial Leasing since November 2014.

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

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

March 2010. Mr. Ren served as a director of Haitong Capital Investment from October 2008 to March 2010.

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

Mr. Ding Xueqing (丁學清), aged 55, is our executive Director and General Manager. Mr. Ding joined our Company as a Director in November 2014, served as the standing deputy general manager from November 2014 to July 2015, and the Director and General Manager since July 2015. Mr. Ding also serves as a director of Haitong UniTrust Financial Leasing since November 2014, a director of Haitong UT Capital and Haitong UniFortune since July 2015, a vice chairman of the board of directors of Gui'an UT since January 2017, the chairman of Haitong UniFortune since March 2018, and the chairman of Shanghai Dingjie Construction Development Co., Ltd. since June 2018.

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

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

Mr. Wu Shukun (吳淑琨), aged 46, is our non-executive Director. Mr. Wu has been appointed as a Director of our Company since April 2017. Mr. Wu also serves as general manager of the strategic development department of Haitong Securities since February 2017, a director of Haitong UT Capital and Shanghai Haitong Resource Management Co., Ltd. since March 2017 and a director of HFT Investment Management Co., Ltd. since April 2017.

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

Mr. Wu obtained a bachelor of engineering degree in industrial management and engineering from Xi'an Jiaotong University in the PRC in July 1994, a master's degree in systems engineering

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

Mr. Zhang Shaohua (張少華), aged 51, is our non-executive Director. Mr. Zhang has been appointed as a Director of our Company since January 2014. Mr. Zhang also serves as a director of Haitong Innovation Securities Investment since March 2012, a director of Haitong UniTrust Financial Leasing since April 2014, and deputy general manager of the capital management department of Haitong Securities since October 2015.

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

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

Ms. Zhou Jianli (周劍麗), aged 46, is our executive Director, Deputy General Manager and Chief Financial Officer. Ms. Zhou joined our Company as the Chief Financial Officer in February 2014, has served as the Deputy General Manager and the Chief Financial Officer since August 2015, and has served as a Director since May 2017. Ms. Zhou has served as a supervisor of Gui'an UT since January 2017 and a director of Haitong UniFortune, Haitong UniTrust Financial Leasing and Shanghai UniCircle since April 2017. She has been a director of Shanghai Dingjie Construction Development Co., Ltd. since June 2018 and the chairman of Haitong UniTrust Financial Leasing since August 2018.

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

Ms. Zhou obtained a bachelor of engineering degree in wood processing from Northeast Forestry University in the PRC in July 1993, and a master's degree in business administration from the Harbin

Institute of Technology in the PRC in December 1997. Ms. Zhou obtained a qualification of Certified Tax Agent issued by the Ministry of Personnel of the PRC and the SAT in June 2005; a qualification of Chinese Certified Public Accountant issued by the MOF in May 1998; and was accredited as a senior accountant by Shanghai Municipal Human Resources and Social Security Bureau in the PRC in December 2011.

Mr. Jiang Yulin (蔣玉林), aged 60, is our independent non-executive Director. Mr. Jiang has been appointed as an independent non-executive Director of our Company in May 2017. Mr. Jiang also serves as the executive director since August 2016, and chairman, executive director and member of the nomination committee of City e-Solutions Limited (currently known as China Tian Yuan Healthcare Group Limited) (a company listed on the Hong Kong Stock Exchange (stock code: 0557)) since September 2016.

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

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

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

Mr. Yo Shin (楊辰), aged 54, is our independent non-executive Director. Mr. Yo has been appointed as an independent non-executive Director of our Company in May 2017. Mr. Yo also serves as the deputy general manager of Xinjiang Great Wall Xinsheng Trust Co., Ltd. (currently known as Great Wall Xinsheng Trust Co., Ltd.) since October 2011.

Mr. Yo served as a teacher of the finance department of Nankai University in the PRC from July 1986 to March 1991; officer of the Asia development department of the international business department of Sompo Japan Insurance Inc. (日本安田火災海上保險株式会社, currently known as Sompo Japan Nipponkoa Insurance Inc.(損保ジャパン興亜株式会社)) from May 1996 to February 2001; vice president of directors of Shenzhen Shengjin Chuangye Investment Development Limited from May 2005 to January 2016; vice president of Shenzhen Leaguer Digital TV Co., Ltd. from May 2005 to

December 2009; director and member of the strategy committee of Shanghai Feilo Acoustics Co., Ltd. (a company listed on the Shanghai Stock Exchange, (stock code: 600651)) from July 2009 to July 2012.

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

Mr. Zeng Qingsheng (曾慶生), aged 44, is our independent non-executive Director. Mr. Zeng has been appointed as an independent non-executive Director of the Company in May 2017. Mr. Zeng serves 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; an independent director of Shanghai Wanye Enterprises Co., Ltd. (a company listed on the Shanghai Stock Exchange (stock code: 600641)) since December 2015; an independent director of Sunsea Telecommunications Co., Ltd. (now known as Sunsea AIoT Technology Co., Ltd.) (a company listed on the Shenzhen Stock Exchange (stock code: 002313) since August 2016, and an independent director of Jiangsu Yixing Rural Commercial Bank Co., Ltd. since June 2017.

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 August 2005 and December 2009. Mr. Zeng served as an independent director of Suzhou Sunmun Technology Co., Ltd. (a company listed on the Shenzhen Stock Exchange (stock code: 300522)) from April 2010 to September 2016; an independent director of Jiangsu Feiliks International Logistics Inc. (a company listed on the Shenzhen Stock Exchange (stock code: 300240)) from May 2014 to May 2017; an independent director of Jiangsu Skyray Instrument Company Limited (a company listed on Shenzhen Stock Exchange (stock code: 300165)) from April 2015 to April 2018; and an independent director of Orient-Chip Technology Co. Ltd. from September 2015 to May 2018.

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

Mr. Wu Yat Wai (胡一威), aged 50, is our independent non-executive Director. Mr. Wu has been appointed as an independent non-executive Director of the Company in May 2017.

Mr. Wu served as an analyst of the finance department of The Hong Kong Jockey Club from September 1992 to April 1993; assistant manager and manager of the corporate trust department of

Bankers Trust Company from April 1993 to July 1995; analyst of Credit Lyonnais Securities (Asia) Limited from November 1996 to April 2000; served in Lehman Brothers Asia Limited from April 2000 to May 2005, during which he served as the senior vice president of the equity research division in Hong Kong; and served in Goldman Sachs (Asia) L.L.C. from May 2005 to May 2016, during which he served as the managing director in the global investment research division.

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

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

Supervisors

Ms. Wang Meijuan (王美娟), aged 54, is our Chairman of the Board of Supervisors and non-employee representative Supervisor. Ms. Wang serves as a Supervisor of the Company since January 2014; and serves as the Chairman of the Board of Supervisors and non-employee representative Supervisor since May 2017. Ms. Wang also serves as a chairman of the board of supervisors of Haitong Futures Co., Ltd. since October 2005, a director of Haitong Capital Investment since October 2008, a supervisor of Jilin Modern Agricultural and Emerging Markets Investment Fund Limited since February 2010, a general manager of the audit department of Haitong Securities since March 2011, a supervisor of Haitong Innovation Securities Investment since March 2012, a non-executive director of Haitong International Securities Group since August 2012, a supervisor of Haitong UniTrust Financial Leasing since April 2014, a supervisor of Haitong UniFortune and Shanghai UniCircle since May 2014, a director of Xi'an Aerospace New Energy Industry Investment Fund. Co., Ltd. since September 2014.

Ms. Wang served in various positions in Haitong Securities Company Limited from May 2001 to March 2002, including officer of the audit department from May 2001 to August 2001, assistant to general manager of the audit department from August 2001 to March 2002. Ms. Wang served in various positions in Haitong Securities since March 2002, including deputy general manager of the audit department from March 2002 to July 2003, deputy general manager of the supervision and audit department from July 2003 to May 2006, deputy general manager of the risk control department from May 2006 to September 2006, chief auditor and deputy general manager of the risk control department from September 2006 to March 2009, deputy general manager of the risk control department from March 2009 to March 2011.

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

Ms. Zhao Yue (趙越), aged 36, is our employee representative Supervisor. Ms. Zhao joined our Company in August 2016 as the person-in-charge of the Party Affairs Department of the Human

Resources Department, and she has served as the assistant to the general manager of the Party Affairs Department since September 2016, and the employee representative Supervisor since May 2017.

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

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

Mr. Chen Xinji (陳新計), aged 32, is our employee representative Supervisor. Mr. Chen joined the Company as an assistant to the general manager of the Treasury Management Department since November 2016, and as an employee representative Supervisor since June 2017.

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

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

Senior Management

Mr. Ding Xueqing (丁學清), aged 55, is our executive Director and General Manager. See "—Directors" in this section for the biography of Mr. Ding.

Ms. Zhou Jianli (周劍麗), aged 46, is our executive Director, Deputy General Manager and Chief Financial Officer. See "— Directors" in this section for the biography of Ms. Zhou.

Mr. Liu Heping (劉和平), aged 50, is our Deputy General Manager and Chief Legal Officer. Mr. Liu joined our Company in November 2014 as the Chief Legal Officer, and serves as the Deputy General Manager and the Chief Legal Officer since August 2015.

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

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

Ms. Wu Jian (吳健), aged 45, is our Deputy General Manager and Chief Human Resources Officer. Ms. Wu joined our Company in November 2014 as the Chief Human Resources Officer, served as the Assistant to General Manager and the Chief Human Resources Officer since August 2015 and Deputy General Manager since March 2019.

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

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

Mr. Fu Da (傅達), aged 32, is our Deputy General Manager, Chief Risk Officer and Secretary to the Board. Mr. Fu joined our Company in December 2014 as the General Manager of High-End Customers Department, serves 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 in various positions in Haitong Securities from September 2009 to December 2014, including an officer of the investment banking department from September 2009 to July 2011, manager of the investment banking department from July 2011 to April 2012, and senior manager of the investment banking department from April 2012 to December 2014.

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

Mr. Lu Yang (路陽), aged 39, is our Deputy General Manager. Mr. Lu served in various positions of our Company since August 2010, including the Chief Marketing Officer and General Manager of the Machinery Business Department from August 2010 to February 2012, General Manager of the Industrial Equipment Business Department from March 2012 to February 2014, Vice President managing the industrials from March 2014 to November 2015, Assistant to General Manager since November 2015 and Deputy General Manager since March 2019.

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

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

Mr. Gao Yong (高勇), aged 56, is the Compliance Officer of our Company. Mr. Gao has served as general manager of the Strategic Development Department of our Company since September 2015 and was appointed as the compliance officer in August 2018. He has been a supervisor of Shanghai Dingjie Construction Development Co., Ltd. since June 2018.

Mr. Gao worked in the Xiaodongmen sub-branch and credit division of the Nan City branch of Shanghai (subsequently merged with the Huangpu branch of Shanghai) of Industrial and Commercial Bank of China (a company listed on the Shanghai Stock Exchange (stock code: 601398) and on the Hong Kong Stock Exchange (stock code: 1398)) from September 1981 to December 1996. He successively served as the deputy head of credit division, deputy head of credit review division, deputy head of credit customer department 1, assistant manager of financial business department and assistant manager of credit management department in Zhoujiadu sub-branch of the Pudong branch of Industrial and Commercial Bank of China from December 1996 to December 2005. He served as vice president of Pudong Avenue sub-branch of Industrial and Commercial Bank of China from January 2006 to December 2013 and the assistant manager (market 2) of Pudong branch of Shanghai of Industrial and Commercial Bank of China from January 2014 to July 2015.

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

Mr. He Chen (何晨), aged 54, is the assistant to the General Manager of the Company. Mr. He has been the head of the General Manager office of the Company since January 2017 and the Assistant to the General Manager since August 2018.

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

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

Ms. Sang Linna (桑琳娜), aged 42, is our Assistant to General Manager. Ms. Sang joined our Company in April 2009 and served as general manager of Business Department and Vice President of business from April 2009 to August 2015 and executive deputy general manager and chief operating officer of Gui'an UT form April to October 2018. She rejoined our Company in November 2018, and has served as Assistant to General Manager of our Company since March 2019.

Ms. Sang served as a sales manager of CIT Finance & Leasing Corporation from July 2002 to April 2009, and a vice president of Peking Central Ocean Prolific Energy Power Investment Limited (北京中海沃邦能源投資有限公司) from August 2015 to October 2016, a vice president of Zhengqi (Beijing) Asset Management Co. Ltd. from January 2017 to September 2017, a vice president of Shaanxi DaTang West Market Financial Holding Co., Ltd. (陝西大唐西市金融控股有限公司) from September 2017 to April 2018 and a general manager of Shaanxi DaTang Silk Road International Financial leasing Co., Ltd. (陝西大唐絲路國際融資租貸有限公司) from September 2017 to April 2018.

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

Save as disclosed above, none of our Directors has any interests in any business, which competes or may compete, either directly or indirectly, with our business.

Save as disclosed above, none of our Directors, Supervisors and members of the senior management is related to other Directors, Supervisors and members of the senior management.

Save as disclosed above, none of our Directors, Supervisors and members of the senior management held any directorship in any public companies, the shares of which are listed in Hong Kong or overseas stock markets, during the three years prior to the date of this Document.

JOINT COMPANY SECRETARIES

Mr. Fu Da (傅達) was appointed as one of the joint company secretaries of the Company in June 2017. Mr. Fu is also a member of senior management of the Company. See " — Senior Management" in this section for his biography.

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

Ms. So obtained a Master of Law degree from the City University of Hong Kong and a Master of Business Administration degree from the University of Leicester in the United Kingdom in 2004 and 1999, respectively. Ms. So is an associate member of both of The Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom.

CORPORATE GOVERNANCE

The Company is committed to achieving high standards of corporate governance with a view to safeguarding the interests of our Shareholders. To accomplish this, the Company intends to comply

with Corporate Governance Code set out in Appendix 14 to the Listing Rules and the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules after the **[REDACTED]**.

COMMITTEES UNDER THE BOARD OF DIRECTORS

The Board delegates certain duties to various committees. In accordance with the relevant PRC laws and regulations, our Articles of Association and the Hong Kong Listing Rules, we have established four committees under the Board of Directors, namely, the Audit Committee, the Nomination Committee, the Remuneration and Evaluation Committee, and the Risk Management Committee.

Audit Committee

The Audit Committee consists of three Directors, namely Mr. Zeng Qingsheng, Mr. Zhang Shaohua and Mr. Yo Shin. Mr. Zeng Qingsheng is the chairman of the Audit Committee. The main responsibilities of the Audit Committee include (but are not limited to):

- supervising the annual auditing work, assessing the truthfulness, accuracy and completeness of the audited financial statements and submitting the assessment to the Board for consideration;
- proposing the engagement or change of external auditors and supervising their performance;
- reviewing and evaluating the financial supervising system and internal audit system of the Company;
- discussing the internal control system with management to ensure that management has performed its duty to have an effective internal control system in place;
- coordinating the communication between the internal audit department and the external auditors;
- ensuring that the Board promptly replies to the queries raised by external auditors in the external auditor's management letter;
- reviewing the financial information of the Company and its disclosure; and
- other duties authorized by the Board.

Nomination Committee

The Nomination Committee consists of three Directors, namely Mr. Ren Peng, Mr. Jiang Yulin and Mr. Wu Yat Wai. Mr. Ren Peng is the chairman of the Nomination Committee. The main responsibilities of the Nomination Committee include (but are not limited to):

- reviewing the structure, size and composition (including the skills, knowledge and experience of the members) of the Board at least annually and making recommendations on proposed changes to the Board in accordance with the Company's corporate strategy;
- reviewing the requirements and procedures for the appointment of Directors and senior management and providing suggestions to the Board;

- identifying qualified candidates for Directors and senior management, and reviewing and making suggestions on the qualification of the candidates for Directors and senior management;
- evaluating the independence of independent non-executive Directors; and
- other duties authorized by the Board.

Remuneration and Evaluation Committee

The Remuneration and Evaluation Committee consists of three Directors, namely Mr. Jiang Yulin, Mr. Wu Shukun and Mr. Yo Shin. Mr. Jiang Yulin is the chairman of the Remuneration and Evaluation Committee. The main responsibilities of the Remuneration and Evaluation Committee include (but are not limited to):

- reviewing the assessment criteria for Directors and senior management, conducting assessments and making recommendations;
- reviewing and examining the remuneration policies and proposals of Directors and senior management based on 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;
- reviewing the performance of Directors and senior management in discharging their responsibilities annually and conduct annual performance evaluation;
- making recommendations to the Board of Directors on the remuneration packages of executive Directors, non-executive Directors and senior management;
- considering the remunerations paid by comparable companies, time commitment and responsibilities and employment conditions for other positions in the Group; and
- other duties authorized by the Board.

Risk Management Committee

The Risk Management Committee consists of three Directors, namely Mr. Yo Shin, Mr. Ding Xueqing and Mr. Zhang Shaohua. Mr. Yo Shin is the chairman of the Risk Management Committee. The main responsibilities of the Risk Management Committee include (but are not limited to):

- overseeing and supervising the risk management and internal control systems, evaluating and monitoring the policies of the Company and practices on the compliance with the legal and regulatory requirements;
- reviewing the planning, the annual working plans and annual reports of the risk management and internal control systems of the Company;
- reviewing the plan regarding the establishment of monitoring organizations and their responsibilities over risk management and internal control systems;
- reviewing systems and work processes associated with the risk management and internal control systems of the Company;

- reviewing risk management strategies and material risk management solutions of the Company;
- conducting research on the risks arising in our major investing and financing activities and other major operational matters and the risk control measures, and providing recommendations to the Board;
- other duties authorized by the Board.

PARTY COMMITTEE

In accordance with the Constitution of the Communist Party of China, the Company has established a party committee. The party committee plays a core political role in the Company. Based on the work deployment directives of the party committee, the party committee directs the operation of the party organizations at different levels, the communist youth leagues and the labor union of the Company. In respect of major management and operation issues including matters related to national macro-control, national development strategies and national security, the party committee shall provide opinions to the Board and the Board shall make decisions based on the opinions of the party community.

REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Our Directors, Supervisors and senior management are entitled to remuneration in the form of salaries, allowance, bonus, directors' remuneration, and retirement benefits.

The aggregate pre-tax remuneration paid to our Directors and Supervisors for the three years ended December 31, 2016, 2017 and 2018 amounted to RMB7.07 million, RMB12.13 million and RMB5.89 million, respectively.

Pursuant to the current arrangements, the remuneration (excluding annual bonus) of our Directors and Supervisors for the year ended December 31, 2019 is estimated to be approximately RMB5.32 million.

The aggregate remuneration paid to the top five highest paid individuals (including Directors) of the Group for the three years ended December 31, 2016, 2017 and 2018, amounted to RMB15.29 million, RMB21.41 million and RMB8.08 million, respectively.

For the three years ended December 31, 2016, 2017 and 2018, no payment was made to Directors, Supervisors or the top five highest paid individuals of the Group as compensation for his/her retirement, loss of office, inducement to join, or upon joining, our Company, or as reward for the services provided for the promotion or establishment of the Company. Furthermore, the Company did not make any other arrangement under which a Director or Supervisor waived or agreed to waive any remuneration during the relevant periods.

See "Appendix I — Accountants' Report — Notes to Financial Information — 48. Directors' and Supervisors' Emoluments" and "— 49. Highest Paid Individuals" for further details.

As of the Latest Practicable Date, none of the Directors, Supervisors or senior management is interested in any Shares within the meaning of Part XV of the SFO. Save as disclosed herein, to the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, there was no additional matter with respect to the appointment of the Directors or Supervisors that needs to be brought to the attention of the Shareholders and there was no additional information relating to the Directors that is required to be disclosed pursuant to Rules 13.51(2)(b) to (v) of the Hong Kong Listing Rules as of the Latest Practicable Date.

COMPLIANCE ADVISOR

The Company has appointed Haitong International Capital as the compliance advisor pursuant to Rules 3A.19 and 19A.05 of the Hong Kong Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, our compliance advisor shall advise us under the following circumstances:

- before our publication of any regulatory announcement, circular, or financial report;
- on any contemplated transaction, which might be a notifiable or connected transaction, including share issues and share repurchases;
- where we propose to use the **[REDACTED]** from the **[REDACTED]** in a manner different from that detailed in this Document or where the business activities, developments or results deviate from any forecast, estimate or other information in this Document; and
- where the Hong Kong Stock Exchange makes an inquiry into us regarding unusual movements in the price or trading volume of the Shares of the Company, the possible development of a false market or any other matters.

Meanwhile, pursuant to Rule 19A.06(3) of the Listing Rules, the compliance advisor shall inform us on a timely basis of any amendment or supplement to the Hong Kong Listing Rules issued by the Hong Kong Stock Exchange from time to time and any new or amended law, regulation or code in Hong Kong applicable to the Company. The compliance advisor shall also provide advice to us on the continuing requirements under the Listing Rules and applicable laws and regulations.

The term of appointment of the compliance advisor shall commence on the **[REDACTED]** and end on the date of distribution of the **[REDACTED]** of the financial results of the Group for the first full financial year commencing after the **[REDACTED]** or on the date of the termination of the contract, whichever is earlier.

SUBSTANTIAL SHAREHOLDERS

As of the Latest Practicable Date, the composition of our Shareholders is as follows:

Name of shareholder	Number and class of Shares	Approximate percentage of shareholding
Haitong UT Capital[(1)]	4,559,153,176 Unlisted Foreign Shares	65.1%
Haitong Capital Investment[(2)(3)]	2,440,846,824 Domestic Shares	34.9%

(1) Haitong Securities indirectly holds 100% share capital of Haitong UT Capital through Haitong International Holdings, its wholly-owned subsidiary.

(2) Haitong Securities directly holds 100% share capital of Haitong Capital Investment.

(3) In order to streamline the corporate structure, Haitong Capital Investment is expected to transfer its existing shareholding in the Company to another wholly owned subsidiary of Haitong Securities, Haitong Innovation Securities Investment, as soon as practicable subject to compliance with the applicable legal or regulatory requirements. For more details, see "Relationship with Haitong Securities – Overview".

Immediately following the completion of the **[REDACTED]**, and assuming the **[REDACTED]** is not exercised, the following persons will have interests or short positions in our Shares or underlying Shares of our Company which would be required to be disclosed to us and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of shareholder	Nature of Interest	Number and class of Shares	Approximate percentage of shareholding in the relevant class of Shares after the [REDACTED]	Approximate percentage of shareholding in the total share capital of our Company after the [REDACTED]
Haitong Securities[(1)]	Interest in controlled entity	**[REDACTED]** H Shares	**[REDACTED]**%	**[REDACTED]**%
	Interest in controlled entity	**[REDACTED]** Domestic Shares	**[REDACTED]**%	**[REDACTED]**%
Haitong International Holdings[(2)]	Interest in controlled entity	**[REDACTED]** H Shares	**[REDACTED]**%	**[REDACTED]**%
Haitong UT Capital	Legal and Beneficial Owner	**[REDACTED]** H Shares	**[REDACTED]**%	**[REDACTED]**%
Haitong Capital Investment[(3)]	Legal and Beneficial Owner	**[REDACTED]** Domestic Shares	**[REDACTED]**%	**[REDACTED]**%

(1) Haitong Securities indirectly holds 100% share capital of Haitong UT Capital through Haitong International Holdings, its wholly-owned subsidiary. In addition, Haitong Securities directly holds 100% share capital of Haitong Capital Investment. Therefore, Haitong Securities is deemed to be interested in the **[REDACTED]** H Shares held by Haitong UT Capital and the **[REDACTED]** Domestic Shares held by Haitong Capital Investment under the SFO.

(2) Haitong International Holdings holds 100% share capital of Haitong UT Capital. Therefore, Haitong International Holdings is deemed to be interested in the **[REDACTED]** H Shares held by Haitong UT Capital under the SFO.

(3) In order to streamline the corporate structure, Haitong Capital Investment is expected to transfer its existing shareholding in the Company to another wholly owned subsidiary of Haitong Securities, Haitong Innovation Securities Investment, as soon as practicable subject to compliance with the applicable legal or regulatory requirements. For more details, see "Relationship with Haitong Securities – Overview".

For those who are directly and/or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of our Group, see "Appendix VI — Statutory and General Information — Further Information about our Directors, Supervisors, Staff, Management and Substantial Shareholders — Disclosure of Interests of Substantial Shareholders — Interests of substantial shareholders in members of our Group (other than our Company)."

SHARE CAPITAL

This section presents certain information regarding our share capital before and upon completion of the **[REDACTED]**.

BEFORE THE [REDACTED]

As at the Latest Practicable Date, the registered capital of our Company was RMB7 billion, comprising 7,000,000,000 Shares of nominal value RMB 1.00 each which are categorized as follows:

Description of Shares	Number of Shares	Approximate percentage of issued share capital
Issued Domestic Shares	2,440,846,824	34.9%
Issued Unlisted Foreign Shares	4,559,153,176	65.1%
Total	7,000,000,000	**100.00%**

UPON COMPLETION OF THE [REDACTED]

Immediately following completion of the **[REDACTED]** and conversion of Unlisted Foreign Shares into H Shares, assuming that the **[REDACTED]** is not exercised, our share capital would be categorized as follows:

Description of Shares	Number of Shares	Approximate percentage of issued share capital
Issued Domestic Shares	**[REDACTED]**	**[REDACTED]**%
H Shares to be converted from Unlisted Foreign Shares	**[REDACTED]**	**[REDACTED]**%
H Shares to be issued under the **[REDACTED]**	**[REDACTED]**	**[REDACTED]**%
Total	**[REDACTED]**	**100.00%**

Immediately following completion of the **[REDACTED]** and conversion of Unlisted Foreign Shares into H Shares, and assuming that the **[REDACTED]** is fully exercised, our share capital would be categorized as follows:

Description of Shares	Number of Shares	Approximate percentage of issued share capital
Issued Domestic Shares	**[REDACTED]**	**[REDACTED]**%
H Shares to be converted from Unlisted Foreign Shares	**[REDACTED]**	**[REDACTED]**%
H Shares to be issued under the **[REDACTED]**	**[REDACTED]**	**[REDACTED]**%
Total	**[REDACTED]**	**100.00%**

SHARE CLASSES

Upon completion of the **[REDACTED]** and conversion of Unlisted Foreign Shares held by the existing foreign shareholder, we would have two classes of Shares: Domestic Shares and H Shares. Domestic Shares and H Shares are all ordinary Shares in the share capital of our Company. However, apart from certain qualified domestic institutional investors in the PRC, the qualified PRC investors under the Shanghai-Hong Kong Stock Connect or the Shenzhen-Hong Kong Stock Connect and other persons who are entitled to hold our H Shares pursuant to relevant PRC laws and regulations or upon approvals of any competent authorities, H Shares generally cannot be subscribed for by, or traded between, legal or natural persons of the PRC.

Domestic Shares and H Shares are regarded as different classes of shares under our Articles of Association. The differences between the two classes of shares and provisions on class rights, dispatch of notices and financial reports to Shareholders, dispute resolution, registration of Shares on different registers of Shareholders, the method of share transfer and appointment of dividend receiving agents are set out in the Articles of Association and summarized in "Appendix V — Summary of Articles of Association." The rights conferred on any class of Shareholders may not be varied or abrogated unless approved by a special resolution of the general meeting of Shareholders and by the holders of Shares of that class at a separate meeting. The circumstances which shall be deemed to be a variation or abrogation of the rights of a class are listed in "Appendix V — Summary of Articles of Association." However, the procedures for approval by separate classes of Shareholders shall not apply (i) where we issue, upon approval by a special resolution of the Shareholders in a general meeting once every 12 months, not more than 20% of each of our existing issued Domestic Shares and H Shares, either separately or concurrently; (ii) where our plan to issue Domestic Shares and H Shares at the time of our establishment is implemented, within 15 months from the date of approval by the CSRC or within the prescribed period under the applicable relevant regulations; and (iii) where the conversion of our Shares held by our promoters into H Shares for **[REDACTED]** and trading on the Hong Kong Stock Exchange has been approved by the securities regulatory authorities under the State Council.

Except for the differences above, Domestic Shares and H Shares will however rank *pari passu* with each other in all other respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this Document. All dividends in respect of the H Shares are to be paid by us in Hong Kong dollars or in the form of H Shares.

CONVERSION OF OUR DOMESTIC SHARES INTO H SHARES

Upon the completion of the **[REDACTED]** and conversion of Unlisted Foreign Shares held by the existing foreign shareholder, we will have two classes of ordinary shares, namely H Shares and Domestic Shares. All our Domestic Shares are not listed or traded on any stock exchange. The holders of Domestic Shares may convert their Domestic Shares into H Shares provided such conversion shall have gone through any requisite internal approval process and complied with the regulations prescribed by the securities regulatory authorities of the State Council and the regulations, requirements and procedures prescribed by the **[REDACTED]** and have been approved by the securities regulatory authorities of the State Council, including the CSRC. The **[REDACTED]** of such converted Shares on the Hong Kong Stock Exchange will also require the approval of the Hong Kong Stock Exchange.

Based on the procedures for the conversion of our Domestic Shares into H Shares as disclosed in this section, we can apply for the **[REDACTED]** of all or any portion of our Domestic Shares on the Hong Kong Stock Exchange as H Shares in advance of any proposed conversion to ensure that the conversion process can be completed promptly upon notice to the Hong Kong Stock Exchange and delivery of Shares for entry on the **[REDACTED]**. As any **[REDACTED]** of additional Shares after our initial **[REDACTED]** on the Hong Kong Stock Exchange is ordinarily considered by the Hong Kong Stock Exchange to be a purely administrative matter, it will not require such prior application for **[REDACTED]** at the time of our initial **[REDACTED]** in Hong Kong.

No class Shareholder voting is required for the **[REDACTED]** and trading of the converted Shares on the Hong Kong Stock Exchange. Any application for **[REDACTED]** of the converted Shares on the Hong Kong Stock Exchange after our initial **[REDACTED]** is subject to prior notification by way of announcement to inform Shareholders and the public of such proposed conversion.

After all the requisite approvals have been obtained, the following procedures will need to be completed: the relevant Domestic Shares will be withdrawn from the Domestic Share register and we will re-register such Shares on our **[REDACTED]** maintained in Hong Kong and instruct the **[REDACTED]** to issue H Share certificates. Registration on our **[REDACTED]** will be on the condition that (a) our **[REDACTED]** lodges with the Hong Kong Stock Exchange a letter confirming the proper entry of the relevant H Shares on the **[REDACTED]** of members and the due dispatch of H Shares certificates and (b) the admission of the H Shares to trade on the Hong Kong Stock Exchange will comply with the Listing Rules and the General Rules of CCASS and the CCASS Operational Procedures in force from time to time. Until the converted Shares are re-registered on our **[REDACTED]**, such Shares would not be listed as H Shares.

See "Risk Factors — Risks Relating to the **[REDACTED]** — Future sales or perceived sales of a substantial number of our H Shares in public markets could cause the prevailing market price of our H Shares to decrease significantly, as well as dilute our shareholders' H shareholdings."

So far as we are aware, the holder of our Domestic Shares currently has no intention to convert any of the Domestic Shares into H Shares.

CONVERSION OF UNLISTED FOREIGN SHARES HELD BY HAITONG UT CAPITAL

Upon completion of the **[REDACTED]**, **[REDACTED]** Unlisted Foreign Shares in aggregate held by Haitong UT Capital will be converted into H Shares on a one-for-one basis. The conversion of those Unlisted Foreign Shares into H Shares was approved by the CSRC on February 20, 2019 and an application has been made to the Listing Committee for such H Shares to be **[REDACTED]** on the Hong Kong Stock Exchange.

TRANSFER OF SHARES ISSUED PRIOR TO THE [REDACTED]

Pursuant to the PRC Company Law, our Shares issued prior to the **[REDACTED]** shall not be transferred within one year from the **[REDACTED]**.

[REDACTED]

The following discussion and analysis should be read in conjunction with our consolidated financial statements included in "Appendix I – Accountants' Report" together with the accompanying notes. Our consolidated financial statements have been prepared in accordance with IFRS.

The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis that we make in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, the factors that discussed in "Risk Factors" and "Forward-looking Statements" in this Document.

OVERVIEW

We are a large and fast-growing financial leasing company in China, and the sole leasing business platform and one of the key strategic business segments of Haitong Securities, a leading securities firm in China. Our businesses comprise financial leasing, operating leasing, factoring, entrusted loans and other loans, as well as advisory services. We recorded a rapid growth during the Track Record Period. Our total assets increased from RMB45,980.6 million as of December 31, 2016 to RMB82,111.4 million as of December 31, 2018, representing a CAGR of 33.6%. Our total revenue increased from RMB3,163.7 million in 2016 to RMB5,332.3 million in 2018, representing a CAGR of 29.8%.

BASIS OF PRESENTATION

The historical financial information has been prepared based on the accounting policies set out in Note 4 to the Accountants' Report in Appendix I to this Document which conform with the IFRS issued by the International Accounting Standard Board and the principle of merger accounting.

In preparation for the **[REDACTED]**, we have undergone a series of corporate reorganization transactions. For details about our Reorganization, see "History, Reorganization and Corporate Structure – Reorganization." Our Group following the Reorganization is deemed as a continuing entity. Therefore, our Group's consolidated financial statements are prepared using the principle of merger accounting as if the group structure under the Reorganization had been in existence since the establishment of Haitong Unitrust No. 1 Limited on October 18, 2016.

PRINCIPAL FACTORS AFFECTING OUR RESULTS OF OPERATIONS

The following factors are the principal factors that have affected, and are expected to continue to affect, our business, financial condition, results of operations and prospects.

Macroeconomic and Market Conditions in China

Our business, financial condition and results of operations are primarily affected by China's overall economic and market conditions and, to a lesser extent, the economic and market conditions of Hong Kong and the rest of the world. We generate most of our revenue from our financial leasing

business operated in China, the growth of which depends on the demand for leasing services in the domestic market. After 30 years of rapid development, the economy of China has entered the "New Normal" growth phase, and the economy has started to grow at a slower pace. In 2017 and 2018, the growth rate of China's real GDP was 6.9% and 6.6%, respectively. Changes in China's macroeconomic and market conditions may have a significant impact on our business, results of operations and financial condition in many aspects, including customer demand for our services, default risk of customers or counterparties and funding cost. In addition, we started the aircraft leasing business in October 2016 and we established subsidiaries in Hong Kong and Ireland to promote the development of our aircraft leasing and cross-border businesses. As a result, our business, results of operations and financial condition are also affected by the changes in the economic and market conditions in Hong Kong, Ireland and the rest of the world, including inflation or deflation, fluctuations in currencies, availability of funding and the levels of interest rates.

Our business involves various industries, any volatility of which could affect our business, results of operations and financial condition. We provide financial leasing, operating leasing, factoring, entrusted loans and other loans, as well as advisory services for customers in various industries, primarily including transportation & logistics, industrials, infrastructure, construction & real estate, health care, chemical and education industry. Our businesses in these industries are affected, to a different extent, by the economic cycles of the relevant industries. The nature, timing and extent of changes in industry-wide conditions are largely unpredictable. When certain industries are experiencing a downturn, the unfavorable economic and market conditions may result in a decline in demand of customers from these industries for our financial services, an increase in default of our customers, or deterioration of our asset quality. For example, if China's total investments in infrastructure decline, or the manufacturing, energy, communication and other industries experience downturn or recession, the business, financial condition and repayment ability of customers engaging in these industries may be adversely affected. Moreover, with respect to the transportation & logistics industry, unfavorable economic and market conditions may result in decreases in the demand for passenger vehicles and commercial vehicles, as well as decrease in demand for logistic services due to decrease in freight volume, which could in turn adversely affect the operations of customers in this industry.

Regulatory Environment and Government Policies

During the Track Record Period, as a foreign-funded financial leasing company, we were mainly under the MOFCOM's regulation and supervision before the MOFCOM Regulatory Notice was issued. According to the MOFCOM Regulatory Notice which was issued in May 2018, the regulatory authority over foreign-funded financial leasing companies was transferred to the CBIRC from the MOFCOM; however, as of the Latest Practicable Date, as a foreign-funded financial leasing company, we are still subject to the rules and regulations promulgated by the MOFCOM. The regulatory standards applicable to us on certain aspects may vary from those applicable to financial leasing companies regulated by the CBRC. For example, the minimum registered capital of financial leasing companies regulated by the CBRC should be RMB100 million or an equivalent amount in a freely convertible currency while there was no such minimum registered capital requirements for foreign-funded financial leasing companies regulated by the MOFCOM. Financial leasing companies regulated by the CBRC were required to comply with the upper limits for the financing to a single customer, single group customer and single related party, whereas financial leasing companies regulated by the MOFCOM were not subject to similar requirements previously. In addition, financial leasing companies regulated by the CBRC were also required to comply with capital adequacy requirements,

provisioning for loan impairment and loan write-off, which were not applicable to financial leasing companies regulated by the MOFCOM, including us. Despite the rapid development of China's leasing industry in recent years, the relevant regulatory regime is still subject to further development.

In addition, new regulations and rules, including the MOFCOM Regulatory Notice, as well as changes in the interpretation or enforcement of existing laws, regulations and rules, may have a material impact on our business operations and prospects. Please see "Risk Factors – Any changes in relevant laws, regulations and regulatory requirements could adversely affect our business operation and prospects" and "Regulatory Environment — Major Regulatory Authorities."

Our business development and strategies are also affected by government policies. For example, the State Council stated in its guidelines published in 2015 that financial leasing companies are encouraged to (i) develop business in sectors such as aircraft and engineering machinery; (ii) expand to strategic emerging industries, including high-end equipment manufacturing, new energy, energy conservation and environment protection, and information technology; (iii) participate in urban and rural infrastructure construction, including public utilities and environmental protection; and (iv) support the development of new energy passenger vehicles and supporting facilities. The guidelines also emphasized on accelerating development of financial leasing services for MSEs by encouraging offering customized products and services for such enterprises. In addition, Shanghai, Tianjin, Guangdong and other provinces and cities in China have introduced a series of policies in favor of the development of their respective regional leasing industry. We believe the policies issued by the central and local governments of China aiming at boosting the development of financial leasing industry will provide guidance and support for our future business development. We plan to capture opportunities arising from increasing market demands for financial leasing and other financial services by implementing our business strategies. We expect that we can benefit significantly from such market trend and our businesses will further grow. See "Industry Overview" and "Business — Our Strategies."

Interest Rate

Our revenue consists primarily of the interest income generated from financial leasing, factoring and entrusted loans and other loans businesses. In 2016, 2017 and 2018, interest income from our financial leasing, factoring, entrusted loans and other loans businesses in the aggregate accounted for 76.9%, 76.7% and 79.7% of our total revenue, respectively. We finance our business operations primarily through borrowings (primarily including bilateral loans, syndicated loans and borrowings from related parties) and debt securities. For details about our financing channels, see "– Financing Capabilities and Funding Sources." In 2016, 2017 and 2018, our interest expenses accounted for 56.2%, 57.8% and 60.8% of the total expenses, respectively. Significant fluctuations in interest rates will have a direct impact on our interest income, financing costs and net interest margin, which will in turn affect our profitability and financial condition. Furthermore, when the market interest rates change, our ability to adjust the interest rates that we charge our customers could also affect our net interest income. Fluctuations in interest rates are subject to various factors, including the changes in PRC and international political and economic environments, and the policies and regulations of the PRC government for the financial industry.

As substantially all of our assets related to financial leasing, factoring and entrusted loans are denominated in RMB, these businesses are affected by the fluctuations in the RMB interest rates. In China, the interest rates applied by financial leasing companies for their financial leasing, factoring and entrusted loans businesses are generally set by making reference to the benchmark interest rates set by the PBOC for loans with the same terms and adding the interest spread based on their own business

considerations. In recent years, the PBOC has lowered the benchmark interest rates for RMB loans several times. For example, in 2015, the PBOC lowered the benchmark interest rates for RMB loans five times, resulting in a decrease in the one-year benchmark lending rate from 5.60% on January 1, 2015 to 4.35% on December 31, 2015. In addition, the PBOC also reduced the deposit reserve ratio six times in 2015 and 2016, resulting in increased liquidity in the market and a decrease in market interest rate. A majority of our financial leasing, factoring and entrusted loan contracts entered into with customers are of floating interest rates. An increase in the market interest rates could result in an increase in our interest income, as well as an increase in our funding costs and interest expenses. If the increase in our interest expenses outpaces the increase in our interest income, our business and results of operations will be adversely affected. Furthermore, our gains on the available-for-sale financial assets and financial assets at fair value through profit or loss (mainly including wealth management products and income certificates issued by banks) are also affected by the fluctuation of interest rates.

Financing Capabilities and Funding Sources

Our capabilities and sources of funding are important factors in determining whether we can expand our business successfully. As our business operations require a significant amount of capital, we need adequate and timely sources of funding to further develop our business. Our major funding sources include borrowings and issuance of debt securities. As of December 31, 2018, the balance of our borrowings and bonds payable was RMB30,998.6 million and RMB27,451.7 million, respectively.

Based on our good credit rating in China, we have enhanced our funding capabilities and diversified our funding sources to reduce funding costs. Our credit rating granted by Shanghai Brilliance in China was AA+ (positive outlook) in 2016 and further upgraded to AAA in April 2017. As of February 28, 2019, we had credit facilities of RMB73.3 billion in aggregate from 62 domestic and overseas financial institutions, approximately RMB35.0 billion of which had not been used. We have also proactively raised funds directly from the capital markets. Since January 1, 2016 to February 28, 2019, we had issued (i) fixed medium-term notes in an aggregate principal amount of RMB3,400 million, (ii) asset-backed securities in an aggregate principal amount of RMB13,984 million, (iii) short-term commercial papers in an aggregate principal amount of RMB3,250 million in the interbank market of China, (iv) corporate bonds with a principal amount of RMB4,200 million listed on Shanghai Stock Exchange, (v) ultra-short-term commercial papers in an aggregate principal amount of RMB11,600 million, (vi) asset-backed notes in an aggregate principal amount of RMB3,430 million, and (vii) private placement notes in an aggregate principal amount of RMB3,300 million. We also issued perpetual medium-term notes with principal amount of RMB1,200 million in March 2016.

Our financing capabilities may be affected by the PRC and global credit environments, including changes in monetary policies or financial regulations, fluctuations in credit supply and demand, fluctuations in capital markets and new requirements that affect the funding sources directly, and these changes may affect our operations, business expansion and profitability.

Asset Quality and Provisioning Policy

Our asset quality is affected by the industries where our customers operate as well as the changes in customers' credit status. We believe that our comprehensive industry coverage and prudent risk management philosophy and measures help us effectively manage our credit risk and asset quality. We closely monitor our NPAs, stringently follow our provisioning policies, and actively recover NPAs. With reference to the Guidelines on Classification of Loan Risks (《貸款風險分類指引》) issued by the

CBRC, We classify our interest-earning assets (including finance lease receivables, factoring receivables, entrusted loans and other loans) into five categories, namely "normal," "special mention," "substandard," "doubtful" and "loss," of which the last three categories are regarded as credit impaired and considered as NPAs. As of December 31, 2016, 2017 and 2018, our NPAs amounted to RMB469.5 million, RMB528.8 million and RMB660.9 million, respectively, and the NPA ratio was 1.10%, 0.93% and 0.94%, respectively. The amount of our NPAs may fluctuate in the future. Factors beyond our control, such as changes in the macro-economic condition that affect our customers' business and operating environment, may affect the amount of NPAs in our existing interest-earning asset portfolio, or the new interest-earning assets may become NPAs in the future.

We make allowances for impairment losses for our normal and special mentioned assets as well as our NPAs. After the adoption of the IFRS 9, we monitor 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, we will measure the loss allowance based on lifetime rather 12-month expected credit losses ("ECL"). ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. In assessing whether the credit risk of an asset has significantly increased, we take into account qualitative and quantitative reasonable and supportable forward looking information. For details, see "– Qualitative and Quantitative Disclosures about Financial Risks – Credit Risk," "– Significant Accounting Policies and Estimates" and "Risk Management – Credit Risk Management."

Our allowances for impairment losses may prove to be inadequate if unanticipated adverse changes occur in the PRC economy or other economies in which we operate or if other adverse events affecting specific customers, industries or markets have occurred. In addition, the competent regulatory authorities may also issue specific regulatory requirements regarding the allowance coverage for financial leasing companies in the future, and such requirements may be higher than our current level of allowance for impairment loss. Under such circumstances, we may need to make additional allowance for our interest-earning assets, which may affect our financial condition, results of operations and profitability.

Competition

China's leasing industry has developed rapidly and become increasingly competitive. According to Frost & Sullivan, an independent market research consultant, there were 9,090 finance leasing companies in China as of December 31, 2017.

During the Track Record Period, we mainly compete with PRC leasing companies, including leasing companies approved by CBRC and leasing companies approved by the MOFCOM. Leasing companies approved by CBRC usually have strong shareholder background and financial strength, and can gain access to customer resources through the marketing network and customer base of banks. Due to the relatively low entry barrier and relaxed regulatory environment, the number of domestic leasing pilot companies and foreign-funded leasing companies has been rising significantly in recent years, and the competition becomes increasingly fierce.

We also compete with commercial banks and other financial services providers. For example, PRC commercial banks usually provide loans and factoring services to customers, competing directly with our factoring and entrusted loan business. Commercial banks, microfinance companies, consumer

finance companies and Internet finance companies may provide customers with more favorable financing terms and better customer experience in new financial products and Internet financial products. In terms of aircraft leasing business, we generally face competition in the acquisitions of new aircraft, sales of aircraft and portfolio acquisitions from domestic and overseas medium- and large-sized aircraft leasing companies, airlines, aircraft brokers and aircraft manufacturers.

Increased competition may affect the pricing of our services provided to customers. Our competitors may promptly adopt our business model and compete against us with lower pricing. In order to effectively compete with our competitors and consolidate or increase our market shares, we need to maintain our competitiveness by, particularly, providing customized, comprehensive and differentiated financial products and services to our customers. If we are unable to maintain our competitive strengths, our revenue may decrease.

MAJOR COMPONENTS OF CONSOLIDATED INCOME STATEMENT

Total Revenue

Our revenue includes finance lease income, operating lease income, factoring income, service fee income and entrusted loan and other loan income.

Finance lease income is the interest income received from our customers according to the financial lease agreements that we enter into with them. Leasing agreements are generally priced at market interest rates. The interest rates we charge our customers for most of our lease agreements are adjusted based on the changes in the PBOC benchmark interest rates. The finance lease income includes the interest income from our direct lease and sale-and-leaseback transactions.

Operating lease income is lease income from our aircraft leasing business. Factoring income is interest income from the factoring business. Service fee income primarily includes fees we charge for providing advisory services for our customers. Entrusted loan and other loan income is interest income generated from entrusted loan business and other loan business.

Net Investment Gains

Our net investment gains include (i) net realized gains/(losses) arising from derivative financial instruments; (ii) net realized gains from disposal of available-for sale financial assets as of January 1, 2018 on which we adopted IFRS 9 pursuant to which available-for-sale financial assets are reclassified as financial assets at fair value through profit or loss; (iii) net realized gains arising from financial assets at fair value through profit or loss; (iv) fair value change of derivative financial instruments; and (v) fair value change of financial assets at fair value through profit or loss.

Our gains arising from derivative financial instruments consist of (i) net realized gains/(losses) arising from derivative financial instruments, and (ii) fair value change of derivative financial instruments. Net realized gains/(losses) arising from derivative financial instruments refer to the net gains or losses resulting from disposal of interest rate swaps and foreign currency forwards for the purpose of hedging interest rate and foreign exchange rate risks. Fair value change of derivative financial instruments refers to the net change in fair value of derivatives including the interest rate swaps and foreign currency forwards we purchased for the purpose of hedging interest rate and exchange rate risks.

Our net realized gains from disposal of available-for-sale financial assets include gains from disposal of these assets. The available-for-sale financial assets which we invested primarily include wealth management products and income certificates issued by banks. On January 1, 2018, we adopted IFRS 9, pursuant to which available-for-sale financial assets are reclassified to financial assets at fair value through profit or loss.

Gains arising from financial assets at fair value through profit or loss consist of (i) net realized gains arising from financial assets at fair value through profit or loss, and (ii) fair value change of financial assets at fair value through profit or loss. Net realized gains arising from financial assets at fair value through profit or loss refer to the net gains arising from disposal of financial products which we purchased for cash management purpose. Fair value change of financial assets at fair value through profit or loss refers to net value of fair value change from the financial products which we purchased for cash management purpose.

Other Income, Gains and Losses

Our other income, gains or losses primarily include (i) interest income from deposits with financial institutions; (ii) foreign exchange (losses)/gains; (iii) government grants; (iv) net losses on disposal of finance lease assets; and (v) others.

Interest income from deposits with financial institutions refers to the interest income generated from our deposits in banks and other financial institutions.

Foreign exchange (losses)/gains refer to the losses or gains caused by a change in the exchange rate used.

Government grants consist primarily of the discretionary fiscal funds that local governments offer to enterprises in the financial industry or financial leasing industry and refund of value-added tax. During the Track Record Period, we and our subsidiaries (Haitong UniTrust Financial Leasing, Haitong UniFortune and Shanghai UniCircle) enjoyed fiscal funds granted by the local governments of Shanghai and Tianjin.

Losses on disposal of finance lease assets are the losses resulting from the sales of repossessed finance lease assets.

Other income primarily includes default interest and default penalties we charge the lessees.

Expenses

Our expenses primarily include (i) depreciation and amortization; (ii) staff costs; (iii) interest expenses; (iv) other operating expenses; (v) impairment losses; and (vi) **[REDACTED]** expenses.

Depreciation and Amortization

Depreciation and amortization consist primarily of (i) the depreciation of equipment held for operating lease (aircraft) and property and equipment for administrative purposes, and (ii) amortization of intangible assets including the business system developed by our in-house team.

Staff Costs

Staff costs primarily include salaries, bonuses and allowances, staff benefits and other welfare paid to our employees, including our management and Directors.

Interest Expenses

Interest expense primarily includes the interests we paid for the followings: (i) borrowings, (ii) bonds payable, and (iii) financial assets sold under repurchase agreements.

The interest expense on borrowings consists primarily of (i) the interest we paid to the financial institutions for bank borrowings, (ii) the interest we paid for loans provided by related parties, including Haitong UT Capital, Haitong International Holdings, Haitong Investment Ireland PLC and Unican Limited, (iii) the interest we paid for income certificates issued by us and (iv) the interest we paid under the repurchase agreements managed by Shanghai HFT Fortune Asset Management Co., Limited.

The interest expense on bonds payable consists of the interest we paid for debt securities including the fixed medium-term notes, asset-backed securities, asset-backed notes, short-term and ultra-short-term commercial papers, corporate bonds and private placement notes issued by us.

The interest expense on financial assets sold under repurchase agreements consists of the interest we paid to other financial institutions for conducting repurchase transactions.

Other Operating Expenses

Our other operating expenses mainly include business traveling expenses, operating lease rentals in respect of rented premises, tax and surcharges, advisory expenses, business development expenses, administrative expenses and communication expenses.

Impairment Losses

Impairment losses consist of provisions for impairment losses on finance lease receivables, loans and receivables (consisting of factoring receivables, entrusted loans and other loans), accounts receivables, financial assets held under resale agreements, cash and bank balances and other assets.

[REDACTED] ***Expenses***

[REDACTED] expenses mainly include the professional services fees related to our proposed **[REDACTED]**.

Income Tax Expenses

During the Track Record Period, according to the EIT Law, the Company and its subsidiaries in the PRC were subject to enterprise income tax at a rate of 25%. Our Hong Kong subsidiary was subject to Hong Kong profit tax at the rate of 16.5% or 8.25% on their taxable profits. Our special purpose company incorporated in Ireland was subject to income tax at the rate of 12.5% or 25% on their taxable profits.

Our effective income tax rate was 23.7%, 24.1% and 25.3% in 2016, 2017 and 2018, respectively. Our effective tax rate in 2016 and 2017 was lower than statutory enterprise income tax rate of 25.0%, primarily due to tax-free income (including dividends from our investments in money market funds). Our effective tax rate was higher than statutory enterprise income tax rate of 25.0% in 2018, primarily due to the decrease in the tax-free income and the increase in the expenses that were not deductible for tax purpose. We have paid or made provisions for all relevant taxes. During the Track Record Period and as of the Latest Practicable Date, we fulfilled all tax obligations and did not have any unresolved tax disputes with the tax authorities in the PRC or other jurisdictions.

RESULTS OF OPERATIONS

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

	For the year ended December 31,		
	2016	2017	2018
	(RMB in millions)		
Total revenue	**3,163.7**	**4,036.8**	**5,332.3**
Net investment gains	102.3	66.0	63.5
Share of results of a joint venture	–	7.9	12.9
Other income, gains or losses	28.0	177.1	156.6
Total revenue and other income, gains or losses	**3,294.0**	**4,287.7**	**5,565.4**
Depreciation and amortization	(6.8)	(45.7)	(86.1)
Staff costs	(266.0)	(310.7)	(456.2)
Interest expenses	(1,224.5)	(1,524.2)	(2,316.3)
Other operating expenses	(126.2)	(145.7)	(172.6)
Impairment losses	(557.1)	(592.9)	(765.3)
[REDACTED] expenses	–	**[REDACTED]**	**[REDACTED]**
Total expenses	**(2,180.7)**	**(2,638.4)**	**(3,810.0)**
Profit before income tax	**1,113.3**	**1,649.3**	**1,755.3**
Income tax expenses	(264.3)	(398.1)	(444.1)
Profit for the year	**849.0**	**1,251.3**	**1,311.3**

Total Revenue

We generate interest income from providing financial leasing, factoring, as well as entrusted loan and other loan services for customers. We commenced the aircraft leasing business and received rental income from the operating lease since October 2016. We also receive service fees from providing advisory services for customers.

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

	For the year ended December 31,					
	2016		2017		2018	
	Amount	% of total	Amount	% of total	Amount	% of total
	(RMB in millions, except percentages)					
Finance lease income	2,303.4	72.8%	2,675.8	66.3%	3,698.4	69.4%
Operating lease income	7.3	0.2%	86.0	2.1%	174.3	3.3%
Factoring income	87.3	2.8%	359.8	8.9%	473.5	8.9%
Entrusted loan and other loan income	42.0	1.3%	61.8	1.6%	74.0	1.4%
Service fee income	723.8	22.9%	853.4	21.1%	912.0	17.0%
Total revenue	**3,163.7**	**100.0%**	**4,036.8**	**100.0%**	**5,332.3**	**100.0%**

Our customers are widely spread across the transportation & logistics, industrials, infrastructure, construction & real estate, health care, chemical and education industry and other industries. We are committed to providing various financial and advisory services to satisfy the needs of our customers and diversify our sources of income. For details of the products and services we provided for customers in various industries, see "Business." The following table sets forth our comprehensive yield for each industry. We calculate the comprehensive yield by dividing the sum of finance lease income, factoring income, entrusted loan and other loan income and service fee income by the average balances

of our interest-earning assets. We consider that this ratio allows investors to understand the level of our overall returns from financial leasing, factoring, entrusted loans and other loans, as well as advisory services that we provide to customers.

	For the year ended December 31,								
	2016			2017			2018		
	Average balance of interest-earning assets[1]	Income[2]	Comprehensive yield[3]	Average balance of interest-earning assets[1]	Income[2]	Comprehensive yield[3]	Average balance of interest-earning assets[1]	Income[2]	Comprehensive yield[3]
	(RMB in millions, except percentages)								
Transportation & logistics	5,105.1	528.4	10.35%	12,209.9	1,125.0	9.21%	20,973.5	1,761.4	8.40%
Industrials[4]	5,321.0	449.9	8.46%	8,190.3	672.2	8.21%	11,254.7	933.8	8.30%
Infrastructure	7,182.6	566.4	7.89%	10,689.9	766.1	7.17%	11,666.6	885.4	7.59%
Construction & real estate	2,535.6	245.4	9.68%	4,591.9	387.5	8.44%	7,065.6	574.1	8.13%
Health care	4,119.7	368.4	8.94%	3,096.4	280.7	9.07%	3,097.9	274.6	8.86%
Chemical industry	2,426.1	123.5	5.09%	1,873.2	105.6	5.64%	1,329.1	79.7	5.99%
Education	6,423.1	652.1	10.15%	3,240.0	309.3	9.55%	1,397.0	128.1	9.17%
Others[5]	2,575.1	222.4	8.63%	4,319.4	304.5	7.05%	6,951.5	520.9	7.49%
Total	**35,688.3**	**3,156.4**	**8.84%**	**48,211.1**	**3,950.8**	**8.19%**	**63,735.9**	**5,158.0**	**8.09%**

(1) Represents the average of the total balances of finance lease receivables, factoring receivables, as well as entrusted loans and other loans (before deduction of allowances for impairment loss) as of December 31 of the previous year, June 30 of current year and December 31 of current year.

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

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

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

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

Comparison between 2018 and 2017

The comprehensive yield of the infrastructure industry increased to 7.59% in 2018 from 7.17% in 2017, primarily due to increased interest rates we charged certain customers in this industry, primarily attributable to the tightened market liquidity.

The comprehensive yield of the industrials industry increased to 8.30% in 2018 from 8.21% in 2017, primarily due to our continued efforts in developing business with micro- and small-sized customers, from which we usually generate relatively high yields.

The comprehensive yield of the chemical industry increased to 5.99% in 2018 from 5.64% in 2017, primarily due to increased interest rates we charged certain customers in this industry, primarily attributable to the tightened market liquidity.

The comprehensive yield of the transportation & logistics industry decreased to 8.40% in 2018 from 9.21% in 2017, primarily because of the intensified market competition among financial leasing companies.

The comprehensive yield of the education industry decreased to 9.17% in 2018 from 9.55% in 2017 mainly because certain contracts with relatively high returns were early terminated.

The comprehensive yield of the health care industry decreased to 8.86% in 2018 from 9.07% in 2017, mainly because certain contracts were terminated.

The comprehensive yield of the construction & real estate industry decreased to 8.13% in 2018 from 8.44% in 2017, mainly because the increase in income was outpaced by the increase in assets we received from customers in this industry, reflecting the reduced customers' demand for our advisory services.

Comparison between 2017 and 2016

The comprehensive yield of the infrastructure industry decreased to 7.17% in 2017 from 7.89% in 2016, primarily due to the lower interest rate level we charged customers in this industry attributable to (i) the intensified market competition among financial leasing companies, and (ii) increased bargaining power of the customers in the infrastructure industry as a result of increased financing channels available to them.

From 2016 to 2017, the comprehensive yields of the construction & real estate, industrials and others industries decreased, primarily due to the lower interest rate level we charged large enterprises and listed companies, which usually have strong bargaining power, with a view to growing high-quality interest-earning assets with such customers.

The comprehensive yield of the transportation & logistics industry decreased to 9.21% in 2017 from 10.35% in 2016, primarily due to increased market competition among financial leasing companies to provide services to customers in this industry.

The comprehensive yield of the education industry decreased to 9.55% in 2017 from 10.15% in 2016, primarily because the interest rates under certain finance lease contracts with customers in this industry were adjusted on an annual basis pursuant to contract terms, which resulted in the effect that the cuts in the PBOC benchmark interest rates in 2015 were reflected in a certain period of 2016 and the full year of 2017.

The comprehensive yield of the chemical industry increased to 5.64% in 2017 from 5.09% in 2016, primarily reflecting that the decrease in income was outpaced by the decrease in assets in 2017 as we prudently entered into new projects with customers in chemical industry in light of the excess capacity of this industry.

The comprehensive yield of the health care industry slightly increased to 9.07% in 2017 from 8.94% in 2016.

Finance Lease Income

During the Track Record Period, a majority of our revenue was finance lease income. In 2016, 2017 and 2018, finance lease income accounted for 72.8%, 66.3% and 69.4% of our total revenue, respectively.

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

	For the year ended December 31,					
	2016		2017		2018	
	Amount	% of total	Amount	% of total	Amount	% of total
	(RMB in millions, except percentages)					
Transportation & logistics	258.5	11.2%	710.9	26.6%	1,378.2	37.3%
Industrials[1]	308.8	13.4%	485.9	18.2%	757.2	20.5%
Infrastructure	407.1	17.7%	609.7	22.8%	758.5	20.5%
Construction & real estate	83.6	3.6%	89.8	3.4%	211.5	5.7%
Health care	355.5	15.4%	246.0	9.2%	219.7	5.9%
Chemical industry	97.1	4.2%	72.9	2.7%	46.5	1.3%
Education	652.1	28.3%	309.3	11.6%	128.1	3.5%
Others[2]	140.7	6.1%	151.2	5.7%	198.8	5.4%
Finance lease income	**2,303.4**	**100.0%**	**2,675.8**	**100.0%**	**3,698.4**	**100.0%**

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

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

Comparison between 2018 and 2017

Our finance lease income increased by 38.2% to RMB3,698.4 million in 2018 from RMB2,675.8 million in 2017, primarily due to the continuous growth of our financial leasing business. Finance lease income from transportation & logistics, industrials, infrastructure, construction & real estate and other industries increased in 2018 as compared to that in the same period of 2017. Such increase was partially offset by the decreases in our finance lease income from education, chemical and health care industries.

- Our finance lease income from the transportation & logistics industry increased by 93.9% to RMB1,378.2 million in 2018 from RMB710.9 million in 2017, mainly due to the growth of our transportation & logistics business which was driven by, in particular, the increase in retail customers' demands for commercial vehicle and passenger vehicle leasing.

- Our finance lease income from the industrials industry increased by 55.8% to RMB757.2 million in 2018 from RMB485.9 million in 2017, primarily due to (i) increased number of finance lease contracts we entered into with micro- and small-sized customers in this industry, and (ii) the higher interest rates we charged certain customers, reflecting our enhanced bargaining power against customers in such industry.

- Our finance lease income from the infrastructure industry increased by 24.4% to RMB758.5 million in 2018 from RMB609.7 million in 2017, primarily attributable to the increased number of financial leasing projects we entered into with customers in this infrastructure industry, driven by our enhanced business development efforts.

- Our finance lease income from the construction & real estate industry increased by 135.5% to RMB211.5 million in 2018 from RMB89.8 million in 2017, primarily due to the increased number of finance lease projects that we entered into with customers in this industry in 2018, which was driven by our enhanced business development efforts.

- Our finance lease income from other industries increased by 31.4% to RMB198.8 million in 2018 from RMB151.2 million in 2017, primarily due to we entered into new financial leasing projects with customers in these industries.

- Our finance lease income from the education industry decreased by 58.6% to RMB128.1 million in 2018 from RMB309.3 million in 2017, primarily because existing lease contracts with customers in the education industry expired or were early terminated.
- Our finance lease income from the chemical industry decreased by 36.2% to RMB46.5 million in 2018 from RMB72.9 million in 2017, primarily because we have taken a prudent approach to entering into financial leasing projects in chemical industry in light of the excess capacity of this industry, which resulted in a decrease in our financial lease assets in this industry.
- Our finance lease income from the health care industry decreased by 10.7% to RMB219.7 million in 2018 from RMB246.0 million in 2017, primarily because existing lease contracts with certain customers expired while most of new projects were entered into in the second half of 2018.

Comparison between 2017 and 2016

Our finance lease income increased by 16.2% to RMB2,675.8 million in 2017 from RMB2,303.4 million in 2016, primarily due to the growth in the overall scale of our financial leasing business. Finance lease income from the transportation & logistics, infrastructure, industrials, construction & real estate and others industries increased in 2017 compared to that in 2016, which was partially offset by the decreases in income from education, health care and chemical industries in 2016.

- Our finance lease income from the transportation & logistics industry significantly increased to RMB710.9 million in 2017 from RMB258.5 million in 2016, primarily due to the rapid growth in our transportation & logistics business, reflecting our focus on providing financial leasing services to retail customers and MSEs which are the major customers of our passenger vehicle and commercial vehicle leasing business.
- Our finance lease income from the infrastructure industry increased by 49.8% to RMB609.7 million in 2017 from RMB407.1 million in 2016, primarily due to the increased financial leasing projects attributable to our continued sales efforts to develop our business in this industry.
- Our finance lease income from the industrials industry increased by 57.4% to RMB485.9 million in 2017 from RMB308.8 million in 2016, primarily reflecting our business growth in the emerging industrial sectors, in particular, our increased projects with customers in the big data and IDC sector and the energy saving and environment protection sector.
- Our finance lease income from the construction & real estate industry increased by 7.4% to RMB89.8 million in 2017 from RMB83.6 million in 2016, primarily due to new financial leasing projects in this industry.
- Our finance lease income from the others industry increased by 7.5% to RMB151.2 million in 2017 from RMB140.7 million in 2016, primarily due to new large-amount financial leasing projects in 2017 attributable to our increased sales efforts to develop quality customers in the agriculture and food industry.
- Our finance lease income from the education industry decreased by 52.6% to RMB309.3 million in 2017 from RMB652.1 million in 2016, primarily because we did not enter into new financial leasing projects with bureaus of education at local levels and the balance amounts under pre-existing lease contracts with such customers decreased.

- Our finance lease income from the health care industry decreased by 30.8% to RMB246.0 million in 2017 from RMB355.5 million in 2016, primarily because we did not enter into new financial leasing projects with bureaus of health care at local level and the balance amounts under pre-existing lease contracts with such customers decreased.

- Our finance lease income from the chemical industry decreased by 24.9% to RMB72.9 million in 2017 from RMB97.1 million in 2016, primarily because we did not enter into financial leasing projects with customers in chemical industry in light of the excess capacity of this industry.

Operating Lease Income

We commenced our aircraft leasing business in October 2016. During the Track Record Period, our operating lease income was solely generated from the aircraft leasing business. In 2016, 2017 and 2018, our operating lease income was RMB7.3 million, RMB86.0 million and RMB174.3 million, respectively. The significant increase in our operating lease income from 2016 to 2018 was primarily because we acquired four aircraft in 2017 and five aircraft in 2018 to further grow our operating leasing business.

Factoring Income

We commenced to provide factoring service for customers in November 2014. Our factoring income increased significantly from RMB87.3 million in 2016 to RMB359.8 million in 2017 and further to RMB473.5 million in 2018, primarily due to our increased services to customers in various industries to satisfy their demand for factoring services.

Entrusted Loan and Other Loan Income

We commenced to provide entrusted loan services in the PRC in 2015. In 2016, our entrusted loan and other loan income consisted solely of interest income on entrusted loans we provided to customers in the PRC. Our entrusted loan and other loan income increased by 47.1% from RMB42.0 million in 2016 to RMB61.8 million in 2017 and further increased by 19.7% to RMB74.0 million in 2018. The increases in our entrusted loan and other loan income during the Track Record Period were mainly due to our increased entrusted loans to customers in target industries to meet their financing needs.

Service Fee Income

In 2016, 2017 and 2018, service fee income accounted for 22.9%, 21.1% and 17.1% of our total revenue, respectively.

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

	For the year ended December 31,					
	2016		2017		2018	
	Amount	% of total	Amount	% of total	Amount	% of total
	(RMB in millions, except percentages)					
Transportation & logistics	264.1	36.5%	358.9	42.1%	320.2	35.1%
Industrials[1]	122.9	17.0%	100.6	11.8%	115.6	12.7%
Infrastructure	122.7	17.0%	104.7	12.3%	65.8	7.2%
Construction & real estate	120.2	16.6%	164.0	19.2%	169.7	18.6%
Health care	12.0	1.7%	27.5	3.2%	46.4	5.1%
Chemical industry	9.0	1.2%	0.0	0.0%	13.7	1.5%
Education	–	–	–	–	–	–
Others[2]	73.0	10.1%	97.6	11.4%	180.7	19.8%
Service fee income	**723.8**	**100.0%**	**853.4**	**100.0%**	**912.0**	**100.0%**

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

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

Comparison between 2018 and 2017

Our service fee income increased by 6.9% to RMB912.0 million in 2018 from RMB853.4 million in 2017, primarily due to the increase in the advisory services we provided to customers in the health care, chemical, industrials and other industries, reflecting their increased demand for professional advisory services. Such increase was partially offset by the decrease in service fee income from transportation & logistics and infrastructure industries.

Comparison between 2017 and 2016

Our service fee income increased by 17.9% to RMB853.4 million in 2017 from RMB723.8 million in 2016, primarily due to our increased advisory services to (i) the customers in the transportation & logistics industry who are primarily MSEs and retail customers with strong demand for advisory services, and (ii) the customers in the construction & real estate industry, reflecting their increased demand for professional industry advice.

Net Investment Gains

Comparison between 2018 and 2017

Our net investment gains slightly decreased by 3.7% to RMB63.5 million in 2018 from RMB66.0 million in 2017, primarily due to a decrease in net realized gains from disposal of available-for-sale financial assets. We did not have net realized gains from disposal of available-for-sale financial assets in 2018 due to the adoption of IFRS 9. Such decrease was partially offset by (i) an increase in net gains arising from financial assets at fair value through profit or loss, reflecting the returns on our investments in wealth management products and monetary funds, and (ii) a decrease in net loss arising from derivative financial instruments, reflecting unrealized loss due to changes in fair value of derivatives held by us.

Comparison between 2017 and 2016

Our net investment gains decreased by 35.5% to RMB66.0 million in 2017 as compared to RMB102.3 million in 2016, primarily due to net loss arising from derivative financial instruments

which reflected unrealized loss due to changes in fair value of derivatives held by us. Such loss was partially offset by (i) an increase in net gains arising from financial assets at fair value through profit or loss attributable to our gains from investments in money market funds, and (ii) an increase in net realized gains from disposal of available-for-sale financial assets attributable to our gains from investments in wealth management products and income certificates issued by commercial banks.

Share of Results of a Joint Venture

We recorded share of results of a joint venture of RMB7.9 million and RMB12.9 million in 2017 and 2018 for our minority interest in Gui'an UT which is a joint venture incorporated in November 2016.

Other Income, Gains and Losses

Our other income, gains and losses decreased to RMB156.6 million in 2018 as compared to RMB177.1 million in 2017, primarily due to (i) foreign exchange loss arising from our foreign currency exposure from our borrowings denominated in foreign currencies, which were caused by the less favorable foreign exchange rate movements in 2018 as compared to those of the corresponding period in 2017, and (ii) a decrease in the fiscal funds granted by local governments. These were partially offset by (i) an increase in others income primarily attributable to an increase in penalties we received from certain customers and an increase in interest income from financial assets held under resale agreement, and (ii) an increase in income from deposits with financial institutions.

Our other income, gains and losses increased significantly to RMB177.1 million in 2017 as compared to RMB28.0 million in 2016, primarily due to (i) an increase in foreign exchange gains arising from our foreign currency exposure from our borrowings denominated in foreign currencies, which were caused by the fluctuations of foreign exchange rate in 2017, and (ii) increased income from deposits with financial institutions.

During the Track Record Period, we used foreign currency forward contracts to hedge our exposure from our borrowings denominated in foreign currencies. Gains arising from foreign currency forward contracts are recognized in net investment gains.

Expenses

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

	For the year ended December 31,		
	2016	2017	2018
	(RMB in millions)		
Depreciation and amortization	6.8	45.7	86.1
Staff costs	266.0	310.7	456.2
Interest expenses	1,224.5	1,524.2	2,316.3
Other operating expenses	126.2	145.7	172.6
Impairment losses	557.1	592.9	765.3
[REDACTED] expense	–	**[REDACTED]**	**[REDACTED]**
Total expenses	**2,180.7**	**2,638.4**	**3,810.0**

During the Track Record Period, the expenses with significant impact on our results of operations primarily include interest expenses, impairment losses, staff costs and other operating expenses. Primarily due to changes in these types of expenses, our total expenses increased by 21.0% to

RMB2,638.4 million in 2017 from RMB2,180.7 million in 2016. Our total expenses increased by 44.4% to RMB3,810.0 million in 2018 from RMB2,638.4 million in 2017. During the Track Record Period, the increase in our total expenses is generally in line with the expansion of our business.

Interest Expenses

Our interest expenses increased by 52.0% to RMB2,316.3 million in 2018 as compared to RMB1,524.2 million in 2017, primarily due to (i) our increased borrowings and bonds issued, the proceeds of which were used to support our business growth, and (ii) the increased overall financing cost resulting from the tightened financing market. In 2018, we issued short-term commercial paper, ultra-short-term commercial papers, asset-backed securities, private placement notes and medium-term notes, asset-backed notes and corporate bonds to raise funds.

Our interest expenses increased by 24.5% to RMB1,524.2 million in 2017 as compared to RMB1,224.5 million in 2016, primarily due to an increase in interest paid for borrowings and bonds payable as a result of our increased financing to support our business growth. In 2017, we issued one tranche short-term commercial paper, five tranches of ultra-short-term commercial papers and two tranches of corporate bonds, and also completed issuances of asset-backed notes, asset-backed securities and private placement notes.

Impairment Losses

Our impairment losses increased by 29.1% to RMB765.3 million in 2018 from RMB592.9 million in 2017, primarily due to an increase in impairment loss on finance lease receivables, reflecting the increased allowance for impairment losses of our finance lease receivables made in line with the growth of our asset scale. Since the adoption of IFRS 9 on January 1, 2018, we estimate the allowance for financial lease receivables that are measured at amortized cost based on the credit risk of the finance lease receivables. See "–Significant Accounting Judgments and Estimates–Impairment of Finance Lease Receivables" for more details.

Our impairment losses increased by 6.4% to RMB592.9 million in 2017 as compared to RMB557.1 million in 2016, primarily due to an increase in impairment loss on loans and receivables, reflecting the allowance for impairment losses of factoring receivables, and entrusted loans and other loans made in line with the rapid growth in factoring and entrusted loan businesses.

Staff Costs

Our staff costs increased by 46.8% to RMB456.2 million in 2018 as compared to RMB310.7 million in 2017, primarily due to (i) the increase in the number of our staff, which was generally in line with our overall business expansion, and (ii) the increases in staff salaries and welfares. We adopted an annuity plan for our employees in December 2017. For more details, see "Business—Employees."

Our staff costs increased by 16.8% from RMB266.0 million in 2016 to RMB310.7 million in 2017, primarily due to the increase in the number of staff in line with our business expansion and the increase in staff salaries.

Other Operating Expenses

Our other operating expenses increased by 18.4% to RMB172.6 million in 2018 as compared to RMB145.7 million in 2017, primarily due to increases in business traveling expenses, operating lease

rentals for rented premises, bank charges, and administrative expenses, which are all generally in line with our overall business growth. These increases were partially offset by the decreases in advisory expenses and business development expenses.

Our other operating expenses increased by 15.4% to RMB145.7 million in 2017 as compared to RMB126.2 million in 2016, primarily due to increases in operating lease rentals for rented premises, advisory expenses, communication cost and bank charges incurred in our business operations. These increases were partially offset by a decrease in business tax and surcharges, primarily because we were no longer subject to business tax upon the replacement of business tax with VAT starting from May 2016.

[REDACTED] ***Expenses***

We recorded **[REDACTED]** expenses of RMB**[REDACTED]** and RMB**[REDACTED]** in 2017 and 2018, respectively, consisting primarily of the professional service fees related to our proposed **[REDACTED]**.

Depreciation and Amortization

Our depreciation and amortization increased by 88.4% to RMB86.1 million in 2018 as compared to RMB45.7 million in 2017, primarily due to the increased depreciation on the aircraft held for our operating leasing business. We acquired the titles to four aircraft in 2017 and the titles to five aircraft in 2018.

Our depreciation and amortization significantly increased to RMB45.7 million in 2017 as compared to RMB6.8 million in 2016, primarily due to depreciation on the aircraft held for our operating leasing business.

Profit Before Tax

As a result of foregoing factors, our profit before tax increased by 48.2% to RMB1,649.3 million in 2017 from RMB1,113.3 million in 2016, and further increased by 6.4% to RMB1,755.3 million in 2018. Our profit margin before tax in 2016, 2017 and 2018 was 35.2%, 40.9% and 32.9%, respectively.

Income Tax Expenses

Our income tax expenses increased by 11.6% to RMB444.1 million in 2018 as compared to RMB398.1 million in 2017, primarily due to an increase in our profit before income tax. Our effective income tax rate increased from 24.1% in 2017 to 25.3% in 2018, primarily due to (i) a decrease in the tax-free income, and (ii) the increase in the expenses that were not deductible for tax purpose.

Our income tax expenses increased by 50.6% to RMB398.1 million in 2017 as compared to RMB264.3 million in 2016, primarily due to an increase in our profit before tax. Our effective income tax rate increased to 24.1% in 2017 as compared to 23.7% in 2016, primarily due to a decrease in the tax-free income, including dividends on money market funds.

Profit for the Year

As a result of all the foregoing factors, our profit for the year increased by 4.8% to RMB1,311.3 million in 2018 as compared to RMB1,251.3 million in 2017. Our net profit margin decreased to 24.6% in 2018 as compared to 31.0% in 2017.

As a result of all the foregoing factors, our profit for the period increased by 47.4% to RMB1,251.3 million in 2017 as compared to RMB849.0 million in 2016. Our net profit margin increased to 31.0% in 2017 as compared to 26.8% in 2016.

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

During the Track Record Period, we measured the margin of our businesses generating interest income (including financial leasing, factoring and entrusted loan and other loan businesses) through net interest margin, which is calculated by dividing the net interest income (excluding the interest expenses related to operating leasing business) generated from these businesses by the average balance of interest-earning assets (including finance lease receivables, factoring receivables, and entrusted loans and other loans). The following table sets forth the 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,		
	2016	2017	2018
	(RMB in millions, except percentages)		
Interest income[1]	2,432.6	3,097.4	4,245.9
Interest expenses[2]	1,220.5	1,501.3	2,232.3
Net interest income.	1,212.1	1,596.1	2,013.6
Average balance of interest-earning assets[3]	35,688.3	48,211.1	63,735.9
Average balance of interest-bearing liabilities[4]	26,164.1	34,055.8	47,939.1
Average yield of interest-earning assets[5]	6.82%	6.42%	6.66%
Average cost of interest-bearing liabilities[6]	4.66%	4.41%	4.66%
Net interest spread[7]	2.15%	2.02%	2.01%
Net interest margin[8]	3.40%	3.31%	3.16%

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

(2) Excluding the interest expenses related to operating leasing business. Interest expenses related to operating leasing business = total interest expenses * average balance of book value of aircraft held for operating leasing business / (average balance of book value of aircraft held for operating leasing business + average balance of interest-earning assets). Average balances are calculated based on balances as of December 31 of the preceding year, June 30 of the current year and December 31 of the current year for 2016, 2017 and 2018.

(3) Interest-earning assets consist of finance lease receivables, factoring receivables, entrusted loans and other loans. Average balances are calculated based on balances as of December 31 of the preceding year, June 30 of the current year and December 31 of the current year for 2016, 2017 and 2018.

(4) Interest-bearing liabilities consist of borrowings, bonds payable, financial assets sold under repurchase agreements and notes payable, excluding the interest-bearing liabilities related to operating leasing business. Interest-bearing liabilities related to operating leasing business = total interest-bearing liabilities * average balance of book value of aircraft held for operating leasing business / (average balance of book value of aircraft held for operating leasing business + average balance of interest-earning assets). Average balances are calculated based on balances as of December 31 of the preceding year, June 30 of the current year and December 31 of the current year for 2016, 2017 and 2018.

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

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

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

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

The table below sets forth the average yield of the interest-earning assets of our financial leasing, factoring and entrusted loan and other loan businesses for the periods indicated:

	For the year ended December 31,		
	2016	2017	2018
Average yield:			
Financial leasing business[1]	7.02%	6.63%	6.83%
Factoring business[2]	3.84%	5.14%	5.48%
Entrusted loan and other loan business[3]	6.75%	7.11%	7.60%
Total interest-earning assets	6.82%	6.42%	6.66%

(1) Calculated by dividing finance lease income by the average balance of finance lease receivables. Average balance of finance lease receivables for 2016, 2017 and 2018 is the average of the balance amounts of finance lease receivables as of December 31 of the preceding year, June 30 of the current year and December 31 of the current year.

(2) Calculated by dividing factoring income by the average balance of factoring receivables. Average balance of factoring receivables for 2016, 2017 and 2018 is the average of the balance amounts of factoring receivables as of December 31 of the preceding year, June 30 of the current year and December 31 of the current year.

(3) Calculated by dividing entrusted loan and other loan income by the average balance of entrusted loans and other loans. Average balance of entrusted loans and other loans for 2016, 2017 and 2018 is the average of the balance amounts of entrusted loans and other loans as of December 31 of the preceding year, June 30 of the current year and December 31 of the current year.

Our net interest spread decreased from 2.02% in 2017 to 2.01% in 2018 and our net interest margin decreased from 3.31% to 3.16% during the same period, primarily due to a combination of (i) a greater growth rate of our average balance of interest-earning assets than the growth rate of our interest income because we usually enter into more new business in the second half of each year, (ii) an increase in our interest expenses attributable to our increased financing scale and increased overall market interest rates, and (iii) the intensified market competition among financial leasing companies which affected our pricing terms with certain customers. Our net interest spread decreased to 2.02% in 2017 from 2.15% in 2016 and our net interest margin decreased to 3.31% in 2017 from 3.40% in 2016. These decreases were primarily due to the lower overall interest rate level we charged our customers attributable to intensified market competition among financial leasing companies.

DESCRIPTION OF CERTAIN ITEMS IN CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The table below sets out our summary consolidated financial position during the Track Record Period:

	As of December 31,		
	2016	2017	2018
	(RMB in millions)		
Non-current assets			
Property and equipment	377.0	1,578.2	4,217.4
Intangible assets	4.3	8.4	14.3
Finance lease receivables	22,035.9	22,212.6	30,824.7
Interest in a joint venture	–	232.9	245.8
Available-for-sale financial assets	287.3	16.9	–
Financial assets at fair value through profit or loss	–	–	36.1
Loans and receivables	1,990.8	3,947.5	2,424.1
Deferred tax assets	353.1	501.2	727.6
Other assets	25.0	29.1	148.6
Total non-current assets	**25,073.3**	**28,526.8**	**38,638.6**
Current assets			
Finance lease receivables	14,519.3	21,323.5	30,828.0
Available-for-sale financial assets	1,239.0	450.2	–
Loans and receivables	2,558.3	7,573.8	4,276.3
Other assets	133.4	214.8	725.9
Accounts receivable	78.4	0.3	41.2
Financial assets held under resale agreements	528.9	–	980.8
Financial assets at fair value through profit or loss	950.7	–	2,326.3
Derivative financial assets	29.3	1.9	10.2
Cash and bank balances	869.9	2,597.3	4,284.0
Total current assets	**20,907.2**	**32,162.0**	**43,472.8**
Total assets	**45,980.6**	**60,688.8**	**82,111.4**
Current liabilities			
Borrowings	13,220.0	15,116.2	18,162.1
Derivative financial liabilities	–	7.8	23.5
Accrued staff costs	95.3	117.6	138.2
Account payables	567.5	819.4	401.1
Bonds payable	1,179.3	6,074.4	12,856.9
Income tax payable	193.0	329.5	368.9
Other liabilities	1,395.7	1,873.8	3,132.3
Total current liabilities	**16,650.7**	**24,338.7**	**35,083.0**
Net current (liabilities)/assets	**4,256.6**	**7,823.3**	**8,389.9**
Total assets less current liabilities	**29,329.9**	**36,350.1**	**47,028.4**
Non-current liabilities			
Borrowings	11,235.6	9,691.6	12,836.5
Bonds payable	3,820.1	9,970.0	14,594.8
Deferred tax liabilities	–	3.4	12.3
Other liabilities	3,539.5	4,813.7	6,664.9
Total non-current liabilities	**18,595.2**	**24,478.7**	**34,108.6**
Total equity and non-current liabilities	29,329.9	36,350.1	47,028.4
Equity attributable to owners of the Company			
– Shareholders	9,057.6	10,191.4	11,187.8
– Other equity instrument holders	1,229.5	1,235.3	1,237.0
Non-controlling interests	447.6	444.7	495.0
Total equity	**10,734.7**	**11,871.4**	**12,919.8**

Assets

Our total assets increased by 32.0% to RMB60,688.8 million as of December 31, 2017 from RMB45,980.6 million as of December 31, 2016 and further increased by 35.3% to RMB82,111.4 million as of December 31, 2018.

Interest-earning Assets

Our interest-earning assets include finance lease receivables and loans and receivables (including factoring receivables and entrusted loans and other loans).

Finance Lease Receivables

Finance lease receivable is the major component of our assets. Finance lease receivable is the minimum finance lease receivables with unearned finance income and allowances for impairment losses deducted, as shown as net value in statements of financial position. Minimum finance lease receivable is the sum of the amounts payable by the lessee under a finance leasing agreement and the guaranteed residual value. The unearned finance income is the difference between the sum of the minimum finance lease receivables, upfront direct costs, and the unguaranteed residual value and the present value of the finance lease receivables, which will be allocated over the remaining period of the lease. The allowance for impairment losses represents the balance of the expected amount of impairment losses deducted from our finance lease receivables arising from the actual or possible material default of our customers in satisfying their payment obligations under the finance leasing agreements.

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

	As of December 31,		
	2016	2017	2018
	(RMB in millions)		
Minimum amount of finance lease receivables	**42,203.6**	**49,241.0**	**69,425.9**
Less: Unearned finance income	(4,336.3)	(4,222.7)	(6,068.2)
Balance of finance lease receivables	**37,867.3**	**45,018.2**	**63,357.7**
Less: Allowances for impairment	(1,312.1)	(1,482.0)	(1,705.0)
Net amount of finance lease receivables	**36,555.2**	**43,536.2**	**61,652.7**

During the Track Record Period, driven by the overall growth in our financial leasing business, our balance of finance lease receivables continued to increase. Our net value of finance lease, increased by 19.1% to RMB43,536.2 million as of December 31, 2017 from RMB36,555.2 million as of December 31, 2016, and further increased by 41.6% to RMB61,652.7 million as of December 31, 2018.

Analysis by Industries

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

	As of December 31,					
	2016		2017		2018	
	Amount	% of total	Amount	% of total	Amount	% of total
	(RMB in millions, except percentages)					
Transportation & logistics	8,211.8	21.7%	14,867.6	33.0%	25,660.4	40.5%
Industrials[1]	5,937.4	15.7%	8,167.7	18.1%	11,066.4	17.5%
Infrastructure	9,783.7	25.8%	11,093.5	24.6%	10,116.0	16.0%
Construction & real estate	1,240.5	3.3%	1,880.0	4.2%	4,280.1	6.8%
Health care	3,443.8	9.1%	2,782.9	6.2%	3,427.1	5.4%
Chemical industry	1,819.7	4.8%	1,220.2	2.7%	1,169.9	1.8%
Education	4,477.2	11.8%	2,095.1	4.7%	724.7	1.1%
Others[2]	2,953.2	7.8%	2,911.1	6.5%	6,913.0	10.9%
Total finance lease receivables	**37,867.3**	**100.0%**	**45,018.2**	**100.0%**	**63,357.7**	**100.0%**

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

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

Maturity Profile

The following table sets forth the analysis by the remaining maturity of the minimum finance lease receivables as of the dates indicated:

	As of December 31,					
	2016		2017		2018	
	Amount	% of total	Amount	% of total	Amount	% of total
	(RMB in millions, except percentages)					
Within one year	16,758.2	39.7%	24,141.0	49.0%	34,796.2	50.1%
After one year and not later than five years	25,433.8	60.3%	25,036.0	50.8%	34,345.0	49.5%
After five years	11.6	0.0%	64.0	0.1%	284.6	0.4%
Total	**42,203.6**	**100.0%**	**49,241.0**	**100.0%**	**69,425.9**	**100.0%**

Our finance lease receivables due within one year increased by 44.1% to RMB34,796.2 million as of December 31, 2018 from RMB 24,141.0 million as of December 31, 2017. Our finance lease receivables due after one year increased by 38.0% to RMB34,629.6 million as of December 31, 2018 from RMB25,100 million as of December 31, 2017. Our finance lease receivables due within one year increased by 44.1% to RMB24,141.0 million as of December 31, 2017, as compared to RMB16,758.2 million as of December 31, 2016. Our finance lease receivables due after one year decreased by 1.4% to RMB25,100.0 million as of December 31, 2017, as compared to RMB25,445.4 million as of December 31, 2016.

From December 31, 2016 to December 31, 2018, the growth rate of our finance lease receivables due within one year was higher than that of finance lease receivables due after one year, primarily due to the rapid growth in commercial vehicle and passenger vehicle financial leasing services to retail customers and MSEs. The finance lease agreements of such business usually have relatively short terms.

Credit Quality

The following table sets forth the analysis of credit quality on the balance of finance lease receivables as of the dates indicated:

	As of December 31,	
	2016	2017
	(RMB in millions)	
Neither overdue nor impaired	37,352.1	44,465.0
Overdue but not impaired	45.7	99.4
Impaired	469.5	453.8
Balance of finance lease receivables	**37,867.2**	**45,018.2**
Less: Collective impairment allowance	(973.7)	(1,141.3)
Individual impairment allowance	(338.4)	(340.7)
Net finance lease receivables	**36,555.2**	**43,536.2**

After the adoption of the IFRS 9 in 2018, we monitor 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, we will measure the loss allowance based on lifetime rather 12-month ECL. ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased, we take into account qualitative and quantitative reasonable and supportable forward looking information. For more information about our assessment of credit risk after the adoption of IFRS 9, see "– Qualitative and Quantitative Disclosures about Financial Risks – Credit Risk," "– Significant Accounting Policies and Estimates" and Note 3 to the Accountants' Report as included in Appendix I to this Document. The credit quality metrics of finance lease receivables under IFRS 9 analysis may not be comparable to those prepared and presented under IAS 39 prior to the adoption of IFRS 9. See also "Risk Factors – We have adopted IFRS 9 on January 1, 2018 and certain comparative information contained in the financial statements in this Document for periods prior to the adoption of IFRS 9 does not reflect the requirements of IFRS 9 and therefore may not comparable to the information prepared and presented under IFRS 9."

Loans and Receivables

Our loans and receivables include factoring receivables and entrusted loans and other loans. The loans and receivables were presented on a net basis in the statement of financial position after deduction of allowances for impairment of factoring receivables and entrusted loans and other loans.

The following table sets forth the breakdown of loans and receivables as of the dates indicated:

	As of December 31,		
	2016	2017	2018
	(RMB in millions)		
Factoring receivables	3,954.0	10,776.9	6,346.9
Entrusted loans and other loans	690.2	1,038.8	889.3
Subtotal	4,644.2	11,815.7	7,236.2
Less: Provisions for factoring receivables	(80.9)	(274.4)	(443.0)
Provisions for entrusted loans and other loans	(14.2)	(20.0)	(92.8)
Total	**4,549.1**	**11,521.3**	**6,700.4**

Our factoring receivables, increased by 172.6% from RMB3,954.0 million as of December 31, 2016 to RMB10,776.9 million as of December 31, 2017, reflecting the growth in our factoring business. Our factoring receivables decreased from RMB10,776.9 million as of December 31, 2017 to RMB6,346.9 million as of December 31, 2018, primarily due to (i) the expiration of existing contracts, and (ii) the prudent approach we took in entering into new factoring transactions in 2018.

Our entrusted loans and other loans increased by 50.5% from RMB690.2 million as of December 31, 2016 to RMB1,038.8 million as of December 31, 2017, primarily reflecting the growth in our entrusted loan business. Our entrusted loans and other loans decreased by 14.4% from RMB1,038.8 million as of December 31, 2017 to RMB889.3 million as of December 31, 2018, primarily due to (i) the expiration of existing entrusted loans, and (ii) the prudent approach we took in lending entrusted loans in 2018.

Analysis by Industries

The following table sets forth the classification of our factoring receivables by industry as of the dates indicated:

	As of December 31,					
	2016		2017		2018	
	Amount	% of total	Amount	% of total	Amount	% of total
	(RMB in millions, except percentages)					
Transportation & logistics	664.3	16.8%	693.5	6.4%	337.7	5.3%
Industrials[1]	665.8	16.8%	1,751.3	16.3%	1,459.7	23.0%
Infrastructure	429.1	10.9%	676.5	6.3%	696.7	11.0%
Construction & real estate	1,669.5	42.2%	4,520.7	41.9%	2,263.4	35.7%
Health care	48.9	1.2%	153.2	1.4%	75.3	1.2%
Chemical industry	192.4	4.9%	251.0	2.3%	79.1	1.2%
Education	–	–	–	–	–	–
Others[2]	284.0	7.2%	2,730.8	25.3%	1,435.1	22.6%
Total factoring receivables	**3,954.0**	**100.0%**	**10,776.9**	**100.0%**	**6,346.9**	**100.0%**

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

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

The following table sets forth the classification of entrusted loans and other loans by industry as of the dates indicated:

	As of December 31,					
	2016		2017		2018	
	Amount	% of total	Amount	% of total	Amount	% of total
	(RMB in millions, except percentages)					
Transportation & logistics	–	–	107.9	10.4%	82.1	9.2%
Industrials[1]	245.0	35.5%	122.0	11.7%	108.6	12.2%
Infrastructure	210.1	30.4%	105.1	10.1%	2.7	0.3%
Construction & real estate	10.0	1.4%	157.1	15.1%	177.4	19.9%
Health care	–	–	11.8	1.1%	6.8	0.8%
Chemical industry	200.0	29.0%	–	–	–	–
Education	–	–	–	–	–	–
Others[2]	25.2	3.6%	535.1	51.5%	511.7	57.5%
Total entrusted loans and other loans	**690.2**	**100.0%**	**1,038.8**	**100.0%**	**889.3**	**100.0%**

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

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

Distribution of Interest-earning Assets by Collateral

For our financial leasing business, we, as a lessor, hold the title in the leased equipment as our primary security method. In a finance lease transaction, we have the right to enforce our security rights by disposing of the leased equipment to recover our losses if the customer defaults. We also require certain lessees to provide third-party guarantees, mortgages or pledges as additional security measures.

The following table sets forth a breakdown of the balances of our interest-earning assets by the type of security as of the dates indicated.

	As of December 31,					
	2016		2017		2018	
	Amount	% of total	Amount	% of total	Amount	% of total
	(RMB in millions, except percentages)					
Interest-earning assets secured by:						
Asset collateral only	5,708.4	13.4%	11,494.8	20.2%	16,797.1	23.8%
Third-party guarantees only	13,536.0	31.9%	22,213.0	39.1%	27,304.1	38.7%
Both third-party guarantees and asset collateral	7,102.2	16.7%	10,794.7	19.0%	15,023.4	21.3%
Subtotal	26,346.6	62.0%	44,502.4	78.3%	59,124.6	83.8%
Unsecured interest-earning assets	16,164.9	38.0%	12,331.5	21.7%	11,469.3	16.2%
Total interest-earning assets[1]	**42,511.5**	**100.0%**	**56,833.9**	**100.0%**	**70,593.9**	**100.0%**

(1) Consists of the balances of finance lease receivables, factoring receivables, entrusted loans and other loans before deductions of allowance for impairment losses.

As of December 31, 2016, 2017 and 2018, our secured interest-earning assets amounted to RMB26,346.6 million, RMB44,502.4 million and RMB59,124.6 million, representing 62.0%, 78.3% and 83.8% of total interest-earning assets, respectively. The increase in our secured interest-earning assets, in both absolute terms and as a percentage of our total interest-earning assets, from December 31, 2016 to December 31, 2018 primarily reflected that, with continual growth in our businesses, we increased requirements for collateral and third-party guarantees based on the type of business and the customers' risk profiles.

Investments

As part of our cash management, we make investments in financial products to increase the returns on our idle funds. We focus on financial products which guarantee principal amount and offer reasonable returns and flexible liquidity. During the Track Record Period, our investments consisted primarily of (i) short-term wealth management products and income certificates issued by PRC commercial banks, (ii) monetary funds, (iii) treasury bonds held under resale agreements and (iv) structured deposits.

Available-for-sale Financial Assets

In 2016 and 2017, our available-for-sale financial assets included short-term wealth management products and income certificates issued by commercial banks and equity investments.

Under IFRS 9 that we adopted on January 1, 2018, our available-for-sale financial assets were reclassified to financial assets at fair value through profit or loss. As a result, the balance amount of available-for-sale financial assets was nil as of December 31, 2018.

The table below sets forth the interest rate and term of our available-for-sale financial assets for the periods indicated:

	For the year ended December 31,					
	2016		2017		2018	
	Interest Rate	Term of products	Interest Rate	Term of products	Interest Rate	Term of products
Available for sale financial assets	1.70%-4.50%	7 days-728 days	1.60%-4.66%	1 day-234 days	N/A	N/A

As of December 31, 2017, our available-for-sale financial assets amounted to RMB467.1 million, representing a decrease of 69.4% as compared to RMB1,526.3 million as of December 31, 2016, mainly because we sold a portion of our available for sale financial assets to use the proceeds in our business operations.

Financial Assets at Fair Value through Profit or Loss

Our financial assets at fair value through profit or loss primarily consist of our investments in money market funds. The table below sets forth the interest rate and term of our financial assets at fair value through profit or loss for the periods indicated:

	For the year ended December 31,					
	2016		2017		2018	
	Interest Rate	Term of products	Interest Rate	Term of products	Interest Rate	Term of products
Financial assets at fair value through profit or loss	2.55%-3.60%	Redeemable on demand	–	–	2.00%-5.05%	Redeemable on demand

As of December 31, 2018, our financial assets at fair value through profit or loss amounted to RMB2,362.4 million. Under IFRS 9, the financial assets which had been previously recognized as available-for-sale financial assets in accordance with IAS 39 as of January 1, 2018 was reclassified to financial assets at fair value through profit or loss.

As of December 31, 2017, we did not hold any financial assets at fair value through profit or loss.

As of December 31, 2016, our financial assets at fair value through profit or loss amounted to RMB950.7 million.

Financial Assets Held under Resale Agreements

We started to purchase financial assets under resale agreements for short-term liquidity management purpose since 2015.

As of December 31, 2018, our financial assets held under resale agreements consisted of finance lease receivables held under resale agreements with an amount of RMB980.8 million.

As of December 31, 2017, we did not hold any financial assets held under resale agreement.

As of December 31, 2016, our financial assets held under resale agreements, all of which were treasury bonds held under resale agreements, amounted to RMB528.9 million.

The table below sets forth the interest rate and term of our financial assets held under resale agreements for the periods indicated:

	For the year ended December 31,					
	2016		2017		2018	
	Interest Rate	Term of products	Interest Rate	Term of products	Interest Rate	Term of products
Financial assets held under resale agreements	0.67%-1.15%	3-4 days	–	–	6.50%-10.00%	362-365 days

Cash and Bank Balances

As of December 31, 2016, 2017 and 2018, our cash and bank balances were RMB869.9 million, RMB2,597.3 million and RMB4,284.0 million, respectively. Our cash and bank balances were mainly based on our cash management needs as of the end of relevant periods.

Property and Equipment

Our property and equipment include equipment held for operating lease and property and equipment held for administrative purpose. As of December 31, 2018, our equipment held for operating lease consisted of ten aircraft. Our property and equipment held for administrative purpose consist primarily of motor vehicles, electronic equipment, office equipment, leasehold improvements and construction in progress.

We started aircraft leasing business in October 2016. As of December 31, 2016, 2017 and 2018, our equipment held for operating lease amounted to RMB353.2 million, RMB1,524.6 million and RMB4,167.4 million, respectively. As of December 31, 2016, 2017 and 2018, our property and equipment held for administrative purpose were RMB23.8 million, RMB53.6 million and RMB50.0 million, respectively.

Deferred Tax Assets

As of December 31, 2018, our deferred tax assets amounted to RMB727.6 million, representing an increase of 45.2% as compared to RMB501.2 million as of December 31, 2017, primarily due to the increase in our allowance for impairment loss. The amount of our impairment loss in 2018 which was not filed with the tax authorities was recognized as deferred income tax assets.

As of December 31, 2017, our deferred tax assets amounted to RMB501.2 million, representing an increase of 41.9% as compared to RMB353.1 million as of December 31, 2016. According to the relevant requirements of competent tax authorities, the asset loss incurred by an enterprise may only be deducted before tax after making filings with competent tax authorities pursuant to the relevant requirements. The amount of our impairment loss in 2017 which was not filed with the tax authorities was recognized as deferred income tax assets.

Derivative Financial Assets

During the Track Record Period, our derivative financial assets mainly include foreign exchange forward and interest rate swap contracts. Our derivate financial assets increased significantly to RMB10.2 million as of December 31, 2018 from RMB1.9 million as of December 31, 2017, primarily due to an increase in foreign exchange forward contracts we held to cover our foreign exchange

exposure arising from our US dollar denominated borrowings. Our derivate financial assets decreased by 93.4% to RMB1.9 million as of December 31, 2017 from RMB29.3 million as of December 31, 2016, primarily reflecting the changes in the fair value of some of our foreign exchange forward and interest rate swap contracts.

Accounts Receivable

The following table sets forth the breakdown of accounts receivable as of the dates indicated:

	As of December 31,		
	2016	2017	2018
	(RMB in millions)		
Accounts receivable of trading	4.0	4.0	4.0
Accounts receivable of operating leases	–	–	10.6
Accounts receivable of services	79.8	0.8	2.9
Accounts receivable of settlement of finance lease receivable	–	–	28.0
Total	**83.8**	**4.8**	**45.5**
Less: Allowances for impairment			
Accounts receivable of trading	(4.0)	(4.0)	(4.0)
Accounts receivable of operating leases	–	–	(0.0)
Accounts receivable of services	(1.4)	(0.4)	(0.0)
Accounts receivable of settlement of finance lease receivable	–	–	(0.1)
Total	**78.4**	**0.3**	**41.2**

As of December 31, 2018, our account receivables increased to RMB41.2 million from RMB0.3 million as of December 31, 2017, which was mainly due to (i) an increase in accounts receivable of settlement of finance lease receivable, and (ii) accounts receivable of operating leases of our aircraft leasing customers.

Our accounts receivable decreased by 99.6% to RMB0.3 million as of December 31, 2017 from RMB78.4 million as of December 31, 2016, mainly because we changed the payment schedule requirements for our advisory services to customers of commercial vehicles. Under the new requirements, customers are required to pay us the advisory fees upon the commencement of their contracts with us, which resulted in the decrease in our accounts receivable.

Intangible Assets

Our intangible assets consist primarily of operation systems and related software developed by our in-house team. As of December 31, 2018, our intangible assets amounted to RMB14.3 million, representing an increase of 70.4% as compared to RMB8.4 million as of December 31, 2017, which was mainly due to our increased investment in developing operation system and softwares to support our business. As of December 31, 2017, our intangible assets amounted to RMB8.4 million, representing an increase of 95.3% as compared to RMB4.3 million as of December 31, 2016.

Other Assets

Other assets mainly include repossession of finance lease assets, VAT tax credits, prepayments, interest receivable, preservation fees for legal proceedings, margin deposits for legal proceedings, notes receivable and project deposits.

As of December 31, 2018, our other assets amounted to RMB874.5 million, representing a significant increase as compared to RMB243.9 million as of December 31, 2017, primarily due to (i) a

significant increase in project deposits we made for PPP project and government outsourcing business, (ii) an increase in repossession of finance lease assets and (iii) an increase in prepayments.

As of December 31, 2017, our other assets amounted to RMB243.9 million, representing an increase of 54.0% as compared to RMB158.4 million as of December 31, 2016, primarily due to (i) an increase in VAT tax credits, (ii) deferred **[REDACTED]** expenses, (iii) an increase in interest receivable and (iv) an increase in notes receivable, which were partially offset by a decrease in prepayments as a portion of prepayments were recorded as fixed assets.

Liabilities

Our total liabilities increased by 38.5% from RMB35,245.9 million as of December 31, 2016 to RMB48,817.4 million as of December 31, 2017, and further increased by 41.7% to RMB69,191.5 million as of Decenber 31, 2018.

Borrowings

During the Track Record Period, borrowings accounted for the largest portion of our total liabilities. Our borrowings amounted to RMB24,455.6 million, RMB24,807.8 million and RMB30,998.6 million as of December 31, 2016, 2017 and 2018, respectively, accounting for 69.4%, 50.8% and 44.8% of the total liabilities, respectively.

During the Track Record Period, our borrowings consisted primarily of bilateral loans, syndicated loans, income certificates and borrowings from related parties. The borrowings were principally used to fund our financial leasing business. Our borrowings continued to grow from December 31, 2016 to December 31, 2018, primarily because we continue to raise funds to support our business growth.

Bonds Payable

During the Track Record Period, our bonds payable included fixed medium-term notes, asset-backed securities, asset-backed notes, short-term and ultra-short-term commercial papers, corporate bonds and private placement notes issued by us. Our bonds payable amounted to RMB4,999.4 million, RMB16,044.4 million and RMB27,451.7 million as of December 31, 2016, 2017 and 2018, respectively, accounting for 14.2%, 32.9% and 39.7% of the total liabilities, respectively.

The proceeds from the issuance of bonds payable by us were primarily used to fund our financial leasing business. Our bonds payable continued to grow from December 31, 2016 to December 31, 2018, primarily because we continued to raise funds to support our business growth. See "– Indebtedness" for details of the debt securities issued by us.

ASSET QUALITY

During the Track Record Period, we were mainly under the MOFCOM's regulation and supervision before May 2018. On May 8, 2018, the MOFCOM announced that the regulatory regime of financial leasing industry, commercial factoring industry and pawn industry has been transferred from the MOFCOM to the CBIRC. CBIRC has undertaken the role of establishing the operational rules and regulations of financial leasing, commercial factoring and the pawn industry since April 20, 2018. Currently, we are not required to comply with the requirements on asset quality classification and allowance for impairment of financial assets in respect of our interest-earning assets. We adopt a five-category asset classification system comparable to the one under the Guidelines on Risk-based Loan Classification (《貸款風險分類指引》) issued by the CBRC. We classify our interest-earning assets into five categories. In addition, we have formulated policies related to allowance for impairment loss on our financial assets comparable to relevant regulatory requirements of the CBRC and the International Accounting Standards. See "– Principal Factors Affecting our Results of Operations – Asset Quality and Provisioning Policy."

Asset Classification Standards

We classify our interest-earning assets (including finance lease receivables, factoring receivables, entrusted loans and other loans) into five categories, namely "normal," "special mention," "substandard," "doubtful" and "loss," of which the last three categories are regarded as credit impaired and considered as NPAs. For details of our asset quality classification standards, see "Risk Management – Credit Risk Management – Asset Portfolio Management." For easy reference, the reference of "NPAs" in this "Financial Information" section means the NPAs of our interest-earning assets.

Interest-earning Assets under Five-category Asset Classification

As of December 31, 2016, all NPAs of our interest-earning assets were non-performing finance lease receivables and there was no NPA of our factoring receivables and entrusted loans. As of December 31, 2017 and 2018, our NPAs of our interest-earning assets consisted of non-performing finance lease receivables and factoring receivables.

The following table sets forth the distribution of our interest-earning assets (before deduction of the allowance for impairment losses) based on our five-category classification standard as of the dates indicated:

	As of December 31,					
	2016		2017		2018	
	Amount	% of total	Amount	% of total	Amount	% of total
	(RMB in millions, except percentages)					
Normal	41,600.8	97.9%	55,558.2	97.8%	67,813.3	96.1%
Special mention	441.2	1.0%	746.9	1.3%	2,119.7	3.0%
Substandard	42.8	0.1%	131.2	0.2%	425.9	0.6%
Doubtful	92.7	0.2%	255.5	0.4%	184.7	0.3%
Loss	334.0	0.8%	142.1	0.3%	50.2	0.1%
Total interest-earning assets[1]	42,511.5	100.0%	56,833.9	100.0%	70,593.9	100.0%
NPAs[2]	**469.5**		**528.8**		**660.9**	
NPA ratio[3]		**1.10%**		**0.93%**		**0.94%**

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

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

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

FINANCIAL INFORMATION

The following table sets forth the distribution of our interest-earning assets by product type under the five categories as of the dates indicated:

	As of December 31,					
	2016		2017		2018	
	Amount	% of total	Amount	% of total	Amount	% of total
	(RMB in millions, except percentages)					
Finance lease receivables						
Normal	36,956.6	97.6%	44,099.7	98.0%	61,513.9	97.1%
Special mention	441.2	1.2%	464.7	1.0%	1,192.3	1.9%
Substandard	42.8	0.1%	56.2	0.1%	416.5	0.7%
Doubtful	92.7	0.2%	255.5	0.6%	184.7	0.3%
Loss	334.0	0.9%	142.1	0.3%	50.2	0.1%
Subtotal	**37,867.3**	**100.0%**	**45,018.2**	**100.0%**	**63,357.7**	**100.0%**
NPA ratio[1]		**1.23%**		**1.01%**		**1.03%**
Factoring receivables						
Normal	3,954.0	100.0%	10,419.7	96.7%	5,439.1	85.7%
Special mention	–	–	282.2	2.6%	898.4	14.2%
Substandard	–	–	75.0	0.7%	9.4	0.1%
Doubtful	–	–	–	–	–	–
Loss	–	–	–	–	–	–
Subtotal	**3,954.0**	**100.0%**	**10,776.9**	**100.0%**	**6,346.9**	**100.0%**
NPA ratio[1]		**–**		**0.70%**		**0.15%**
Entrusted loans and other loans						
Normal	690.2	100.0%	1,038.8	100.0%	860.2	96.7%
Special mention	–	–	–	–	29.1	3.3%
Substandard	–	–	–	–	–	–
Doubtful	–	–	–	–	–	–
Loss	–	–	–	–	–	–
Subtotal	**690.2**	**100.0%**	**1,038.8**	**100.0%**	**889.3**	**100.0%**
NPA ratio[1]		**–**		–		
Total interest-earning assets[2]	**42,511.5**		**56,833.9**		**70,593.9**	
NPA ratio[3]		**1.10%**		**0.93%**		**0.94%**

(1) Calculated by dividing the NPAs of a type of business by the balance of interest-earning assets of such business.

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

(3) Calculated as the percentage of NPAs to the balance of interest-earning assets before deduction of the allowance for impairment losses.

The following table sets forth the breakdown of our NPAs and NPA ratios by industry as of the dates indicated:

	As of December 31,								
	2016			2017			2018		
	NPAs	% of total	NPA ratio[1]	NPAs	% of total	NPA ratio[1]	NPAs	% of total	NPA ratio[1]
	(RMB in millions, except percentages)								
Transportation & logistics	62.1	13.2%	0.70%	137.7	26.0%	0.88%	272.6	41.2%	1.05%
Industrials[2]	124.7	26.6%	1.82%	102.9	19.5%	1.02%	80.0	12.1%	0.63%
Infrastructure	–	–	–	–	–	–	–	–	–
Construction & real estate	–	–	–	–	–	–	–	–	–
Health care	51.3	10.9%	1.47%	44.3	8.4%	1.50%	38.5	5.8%	1.10%
Chemical industry	–	–	–	158.6	30.0%	10.78%	–	–	–
Education	–	–	–	–	–	–	–	–	–
Others[3]	231.5	49.3%	7.10%	85.3	16.1%	1.38%	269.8	40.8%	3.05%
Total	**469.5**	**100.0%**	**1.10%**	**528.8**	**100.0%**	**0.93%**	**660.9**	**100.0%**	**0.94%**

(1) Calculated by dividing the NPAs of an industry by the balance of interest-earning assets of such industry.

(2) Consists primarily of (i) manufacturing, (ii) new energy and clean energy, and (iii) information transmission, software and IT services.
(3) Consists primarily of (i) paper and printing, (ii) agriculture, (iii) food, (iv) mining, (v) wholesale and retail, and (vi) textile.

The following table sets forth the breakdown of our NPAs and NPA ratios by types of customers as of the dates indicated:

	As of December 31,								
	2016			2017			2018		
	NPAs	% of total	NPA ratio[1]	NPAs	% of total	NPA ratio[1]	NPAs	% of total	NPA ratio[1]
	(RMB in millions, except percentage)								
Government & LMEs	354.9	75.6%	1.04%	372.5	70.4%	0.92%	370.7	56.1%	0.88%
MSEs & Retail customers	114.6	24.4%	1.38%	156.3	29.6%	0.97%	290.2	43.9%	1.02%
Total	**469.5**	**100.0%**	**1.10%**	**528.8**	**100.0%**	**0.93%**	**660.9**	**100.0%**	**0.94%**

(1) Calculated by dividing the NPAs of a type of customers by the balance of interest-earning assets of such type of customers.

Comparison between 2018 and 2017

Our interest-earning assets classified as special mention increased by 183.8% from RMB746.9 million as of December 31, 2017 to RMB2,119.7 million as of December 31, 2018, primarily due to the increased finance lease receivables classified as special mention from certain customers, including our finance lease receivables with Yunnan Jiehua Clean Energy Development Co., Ltd. ("Yunnan Jiehua"). As of December 31, 2018, our total outstanding risk exposure (total outstanding principal amount less guarantee deposits and other amounts paid by the lessee) under our finance lease-back agreement with Yunnan Jiehua was approximately RMB145.8 million. As of the same date, we made a provision for impairment losses of approximately RMB49.8 million, representing 34.1% of the total outstanding risk exposure.

Our NPAs increased by 25.0% from RMB528.8 million as of December 31, 2017 to RMB660.9 million as of December 31, 2018, primarily due to increases in NPAs in transportation & logistics and other industries, which were partially offset by decreases in NPAs from industrials and chemical industries. Our NPA ratio slightly increased from 0.93% as of December 31, 2017 to 0.94% as of December 31, 2018.

- The NPAs in the transportation & logistics industry increased by 98.0% from RMB137.7 million as of December 31, 2017 to RMB272.6 million as of December 31, 2018, and the NPA ratio increased from 0.88% as of December 31, 2017 to 1.05% as of December 31, 2018, both of which were primarily due to (i) the rapid growth in our interest-earning assets as a result of our efforts to develop our business in the transportation & logistics industry, and (ii) our increased business with customers from which we could generate relatively high returns.

- The NPAs in the others industry increased from RMB85.3 million as of December 31, 2017 to RMB269.8 million as of December 31, 2018, primarily because we classified certain amount of finance lease receivables from Huishan Fengyuan as non-performing assets. For more details of legal proceedings involving Huishan Fengyuan, see "Business – Laws and Regulations – Legal Proceedings." The NPA ratio of this industry increased from 1.38% as of December 31, 2017 to 3.05% as of December 31, 2018.

- The NPAs in the health care industry decreased by 13.1% from RMB44.3 million as of December 31, 2017 to RMB38.5 million as of December 31, 2018, and the NPA ratio

decreased from 1.50% as of December 31, 2017 to 1.10% as of December 31, 2018, primarily due to the overall growth in our interest-earning assets in this industry and our continual efforts on collection for overdue repayments and disposal of certain non-performing assets.

- The NPAs in the industrials industry decreased by 22.3% from RMB102.9 million as of December 31, 2017 to RMB80.0 million as of December 31, 2018, and the NPA ratio decreased from 1.02% as of December 31, 2017 to 0.63% as of December 31, 2018, primarily due to the overall growth in our interest-earning assets in this industry and our continual efforts on collection for overdue repayments and disposal of certain non-performing assets.

Comparison between 2017 and 2016

Our interest-earning assets classified as special mention increased by 69.3% from RMB441.2 million as of December 31, 2016 to RMB746.9 million as of December 31, 2017, primarily due to the finance lease receivables from Liaoning Huishan Dairy Group Fengyuan Animal Husbandry Co., Ltd. For more details, see "Business – Laws and Regulations – Legal Proceedings – Dispute regarding Financial Leasing Contract with Liaoning Huishan Dairy Group Fengyuan Animal Husbandry Co., Ltd."

Our NPAs increased by 12.6% from RMB469.5 million as of December 31, 2016 to RMB528.8 million as of December 31, 2017, primarily due to increases in NPAs from chemical and transportation & logistics industries, which were partially offset by decreases in NPAs from others, industrials and health care industries. Our NPA ratio decreased from 1.10% as of December 31, 2016 to 0.93% as of December 31, 2017, primarily due to (i) our strengthened monitoring and recovery of NPAs through various measures, such as collection of overdue repayments and disposal of leased assets, and (ii) the growth of the total balance of our interest-earning assets.

- As of December 31, 2017, the NPAs in the chemical industry was RMB158.6 million and the NPA ratio was 10.78%, primarily due to the non-performing finance lease receivables from Yunnan Jiehua Clean Energy Development Co., Ltd.

- The NPAs in the transportation & logistics industry increased by 121.7% from RMB62.1 million as of December 31, 2016 to RMB137.7 million as of December 31, 2017, and the NPA ratio increased from 0.70% as of December 31, 2016 to 0.88% as of December 31, 2017, primarily due to an increase in NPAs arising from passenger vehicle financial leasing business, reflecting that the asset scale of this business continued to rapidly grow.

- The NPAs in the others industry decreased by 63.2% from RMB231.5 million as of December 31, 2016 to RMB85.3 million as of December 31, 2017, and the NPA ratio decreased from 7.10% as of December 31, 2016 to 1.38% as of December 31, 2017, primarily due to our strengthened monitoring and recovery of NPAs through various measures, such as collection of overdue repayments and disposal of leased assets.

- The NPAs in the industrials industry decreased by 17.5% from RMB124.7 million as of December 31, 2016 to RMB102.9 million as of December 31, 2017, and the NPA ratio decreased from 1.82% as of December 31, 2016 to 1.02% as of December 31, 2017, primarily due to (i) our collection of NPAs from an industrials customer in 2017, and (ii) our

strengthened monitoring and recovery of NPAs through various measures, such as collection for overdue repayments and disposal of leased assets.

- The NPAs in the health care industry decreased by 13.5% to RMB44.3 million as of December 31, 2017 from RMB51.3 million as of December 31, 2016. The NPA ratio remained relatively stable at 1.47% as of December 31, 2016 and 1.50% as of December 31, 2017.

Allowances for Impairment Losses of Interest-earning Assets

We assess the impairment of receivables from customers according to the impairment standards under the IFRS to determine the amount of allowances for impairment losses. See "– Principal Factors Affecting our Results of Operations – Asset Quality and Provisioning Policy" for details.

Distribution of Allowance for Impairment Losses by Assessment Methodology

The following table sets forth the allowance made on the basis of our assessment methodologies as of the dates indicated:

	As of December 31,		
	2016	2017	2018
	(RMB in millions, except percentages)		
Allowance for impairment losses			
Individually assessed	338.4	384.4	N/A
Collectively assessed	1,068.8	1,392.0	N/A
Total	**1,407.1**	**1,776.4**	**2,240.8**
Total NPAs	**469.5**	**528.8**	**660.9**
Allowance coverage ratio for NPA(1)	**299.73%**	**335.92%**	**339.05%**

(1) Calculated by dividing the allowance for impairment loss of interest-earning assets by the balance of NPA.

We adopted IFRS 9 on January 1, 2018, pursuant to which our expected credit losses ("ECL") are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. See "– Qualitative and Quantitative Disclosures about Financial Risks – Credit Risk" for more details.

Our allowance coverage ratio for NPAs increased from 335.92% as of December 31, 2017 to 339.05% as of December 31, 2018, primarily due to an increase in our allowance for impairment losses which grew in line with our increased interest-earning assets. On January 1, 2018, we adopted IFRS 9 which introduces new requirements for ECL for financial assets, and such new requirements also led to an increase in our allowance for impairment losses. For more details, see "– Significant Accounting Policies and Estimates."

Our allowance coverage ratio for NPAs increased from 299.73% as of December 31, 2016 to 335.92% as of December 31, 2017, primarily due to an increase in our allowance for impairment losses because our interest-earning assets increased as a result of our business growth in 2017.

Write-offs

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

	For the year ended December 31,		
	2016	2017	2018
	(RMB in millions)		
Write-offs	13.1	294.3	620.5

We write off the unrecoverable NPAs strictly in accordance with our policies and procedures for write-offs. In 2016, 2017 and 2018, our write-offs of interest-earning assets were RMB13.1 million, RMB294.3 million and RMB620.5 million, respectively.

LIQUIDITY AND CAPITAL RESOURCES

Overview

During the Track Record Period and up to the Latest Practicable Date, our financing channels primarily consisted of the cash generated from our business operations, borrowings (primarily including bilateral loans, syndicated loans, income certificates issued by us and borrowings from related parties) and issuance of debt securities (including fixed medium-term notes, asset-backed securities, short-term and ultra-short-term commercial papers, corporate bonds, perpetual medium-term notes, asset-backed notes and private placement notes). We obtain liquidity from the forgoing financing channels to meet our need for working capital and other capital needs. We adopt centralized management of our liquidity and funding source. When determining the allocation of capital and other resources for each business line, we primarily consider factors including our corporate strategies, future capital expenditure, projected cash flows from each business line and applicable regulatory requirements.

Following the completion of the **[REDACTED]**, we intend to continue to obtain funds through the above-mentioned financing channels, together with the net **[REDACTED]** from the **[REDACTED]**, to satisfy our liquidity and capital requirements in the future.

Cash Flows

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

	For the year ended December 31,		
	2016	2017	2018
	(RMB in millions)		
Net cash used in operating activities	(9,166.8)	(9,261.6)	(12,084.5)
Net cash used in investing activities	(1,444.0)	(254.7)	(3,614.4)
Net cash from financing activities	10,768.1	10,835.5	17,398.2
Net (decrease)/increase in cash and cash equivalents	**157.4**	**1,319.2**	**1,699.3**
Cash and cash equivalents at the beginning of the year	**493.5**	**650.9**	**1,969.6**
Effect of exchange rate changes	0.0	(0.5)	(6.2)
Cash and cash equivalents at the end of the year	**650.9**	**1,969.6**	**3,662.8**

Cash Flows from Operating Activities

Our cash flows from operating activities consist primarily of cash generated from or paid for our financial leasing, operating leasing, factoring, entrusted loans and other loans, as well as advisory businesses, as well as related financial transactions. Cash flows from operating activities reflect (i) profit before income tax adjusted for non-cash and non-operating items, such as depreciation and amortization, and impairment losses; (ii) the effects of changes in working capital, such as increases or decreases in finance lease receivables, loans and receivables and financial assets at fair value through profit or loss; and (iii) other cash items such as net payments of income tax, interest received and interest paid.

Our net cash outflow in operating activities amounted to RMB9,166.8 million, RMB9,261.6 million and RMB12,084.5 million in 2016, 2017 and 2018, respectively. Our profit before income tax amounted to RMB1,113.3 million, RMB1,649.3 million and RMB1,755.3 million in 2016, 2017 and 2018, respectively.

In 2018, we had net cash outflow in operating activities of RMB12,084.5 million as a result of our operating cash flows before the changes in working capital of RMB4,834.5 million and the negative effect of the changes in working capital. The changes in working capital primarily reflected (i) an increase in finance lease receivables of RMB18,852.8 million due to continuous growth of our financial leasing business, (ii) an increase in financial assets at fair value through profit or loss of RMB1,875.0 million, and (iii) a decrease in account payables of RMB418.3 million to the manufacturers of certain facilities and equipment which we purchased for our financial leasing business. The cash outflow was partially offset by (i) a decrease in loans and other receivables of RMB4,511.7 million, and (ii) an increase in other liabilities of RMB2,867.5 million, primarily due to the increase in the cash deposit we received from our customers as a result of our business growth.

In 2017, we had net cash outflow in operating activities of RMB9,261.6 million as a result of our operating cash flows before the changes in working capital of RMB3,733.1 million and the negative effect of the changes in working capital. The changes in working capital primarily reflected (i) an increase of RMB7,374.1 million in finance lease receivables due to the continuous growth of our financial leasing business; and (ii) an increase of RMB7,171.5 million in loans and receivables due to the rapid growth of our factoring and entrusted loans and other loans businesses. The cash outflow was partially offset by (i) an increase in other liabilities of RMB2,003.6 million, primarily due to an increase in deposits that lessees paid to us, and (ii) a decrease in financial assets at fair value through profit or loss.

In 2016, we had net cash outflow in operating activities of RMB9,166.8 million as a result of our operating cash flows before the changes in working capital of RMB2,973.5 million and the negative effect of the changes in working capital. The changes in working capital primarily reflected (i) an increase of RMB9,648.1 million in finance lease receivables due to the rapid growth of our financial leasing business; and (ii) an increase of RMB2,867.2 million in loans and receivables due to the rapid growth of our factoring and entrusted loans businesses. The cash outflow was partially offset by an increase in other liabilities of RMB1,413.4 million, primarily due to an increase in deposits that lessees paid to us and an increase in payable for leasing equipment as a result of the growth of our financial leasing business.

Cash Flows Used in Investing Activities

Our cash flows from investing activities mainly consist of (i) the cash generated from or paid for purchase or disposal of available-for-sale financial assets, financial assets at fair value through profit or loss or financial assets held under resale agreements, (ii) the cash generated from investment gains, and (iii) the cash paid for purchase of aircraft.

In 2018, our net cash used in investing activities was RMB3,614.4 million, mainly reflecting (i) our payment for purchase of financial assets at fair value through profit or loss of RMB23,687.8 million, mainly consist of wealth management products, (ii) payment for purchase of financial assets held under resale agreements of RMB6,070.6 million, and (iii) payment for the purchase of property and equipment and intangible assets of RMB2,673.5 million primarily attributable to our purchases of aircraft. The aforesaid cash outflow was partially offset by (i) proceeds on the disposal of financial

assets at fair value through profit or loss of RMB23,728.0 million, and (ii) proceeds from disposal of financial assets held under resale agreements of RMB5,083.0 million, mainly consist of finance lease receivables and treasury bonds we purchased under the resale agreements. The aforesaid transactions relating to financial assets were made mainly for liquidity management purposes.

In 2017, our net cash outflow in investing activities was RMB254.7 million, mainly reflecting (i) the purchase of available-for-sale financial assets of RMB32,428.9 million attributable to our purchases of short-term wealth management products for our liquidity management purpose, (ii) the purchase of financial assets held under resale agreement, and (iii) the purchase of aircraft. The aforesaid cash outflow was partially offset by the proceeds we gained on sale of certain available-for-sale financial assets and financial assets held under resale agreement.

In 2016, our net cash outflow in investing activities was RMB1,444.0 million, mainly reflecting (i) the purchase of available-for-sale financial assets of RMB29,539.5 million resulting from the purchases of short-term wealth management products and income certificates to meet our short-term liquidity needs and our equity investments, and (ii) the purchase of financial assets held under resale agreements of RMB4,462.7 million resulting from the increase in our investment in treasury bonds held under resale agreements for the purposes of diversifying our investment portfolio and cash management. The aforesaid cash outflow was partially offset by the sale of available-for-sale financial assets of RMB28,393.3 million as we sold some of wealth management products issued by banks based on our cash management strategy.

Cash Flows from Financing Activities

Our cash flows from financing activities mainly consist of net proceeds from borrowings, net proceeds from bonds payable, receipt from/ (repayment of) financial assets sold under repurchase agreements, capital injection from Shareholders and expenses for other financing activities.

In 2018, our cash inflow from financing activities was RMB17,398.2 million, primarily due to (i) proceeds from issuance of bonds of RMB27,449.2 million, mainly due to our issuances of various types of debt instruments to support our business growth, and (ii) proceeds from borrowings of RMB22,587.9 million, primarily attributable to an increase in bank borrowings to support our business growth. The aforesaid cash inflow was partially offset by our repayment of borrowings and bonds payable.

In 2017, our cash inflow from financing activities was RMB10,835.5 million, primarily due to (i) net proceeds from borrowings of RMB15,882.1 million, primarily caused by the increase in bank borrowings in line with the expansion of our business, and (ii) net proceeds from issuances of debt securities of RMB15,311.9 million, mainly attributable to our issuances of short-term and ultra-short-term commercial papers, corporate bonds, asset-backed securities, asset-backed notes and private placement notes in 2017. The aforesaid cash inflow was partially offset by our repayment of borrowings and bonds payable.

In 2016, our net cash generated from financing activities was RMB10,768.1 million, primarily due to (i) net proceeds from borrowings of RMB18,415.6 million, primarily attributable to an increase in bank borrowings in line with our business growth, (ii) net proceeds from bonds payable of RMB4,570.3 million, mainly attributable to our issuances of medium-term notes and asset-backed securities, and (iii) the capital contribution of RMB3,000.0 million by Haitong Capital Investment into us. The aforesaid cash inflow was partially offset by our payments for borrowings and bonds issued by us.

Net Current Assets

The following table sets forth our current assets and current liabilities as of the date indicated:

	As of December 31,			As of February 28,
	2016	2017	2018	2019
	(RMB in millions)			(Unaudited)
Current assets				
Finance lease receivables	14,519.3	21,323.5	30,828.0	31,230.8
Available-for-sale financial assets	1,239.0	450.2	–	–
Loans and receivables	2,558.3	7,573.8	4,276.3	4,241.8
Other assets	133.4	214.8	725.9	635.6
Accounts receivable	78.4	0.3	41.2	39.0
Financial assets held under resale agreements	528.9	–	980.8	980.9
Financial assets at fair value through profit or loss	950.7	–	2,326.3	3,468.1
Derivative financial assets	29.3	1.9	10.2	1.8
Cash and bank balances	869.9	2,597.3	4,284.0	5,386.2
Total current assets	**20,907.2**	**32,162.0**	**43,472.8**	**45,984.1**
Current liabilities				
Borrowings	13,220.0	15,116.2	18,162.1	16,868.4
Derivative financial liabilities	–	7.8	23.5	60.8
Accrued staff costs	95.3	117.6	138.2	55.8
Accounts payable	567.5	819.4	401.1	333.8
Bonds payable	1,179.3	6,074.4	12,856.9	13,522.7
Income tax payable	193.0	329.5	368.9	259.1
Lease liabilities	–	–	–	20.6
Other liabilities	1,395.7	1,873.8	3,132.3	3,502.7
Total current liabilities	**16,650.7**	**24,338.7**	**35,083.0**	**34,623.8**
Net current (liabilities)/assets	**4,256.6**	**7,823.3**	**8,389.9**	**11,360.3**

During the Track Record Period, our current assets mainly consisted of (i) finance lease receivables generated from the financial leasing business; (ii) loans and receivables, primarily including factoring receivables and outstanding entrusted loans and other loans; (iii) financial assets at fair value through profit and loss and financial assets available for sale due within one year that we hold for liquidity management purpose; and (iv) cash and bank balances. Our current liabilities mainly consist of (i) borrowings and (ii) bonds payable we issued for financing purpose.

As of February 28, 2019, our net current assets increased from RMB8,389.9 million as of December 31, 2018 to RMB11,360.3 million, mainly due to the increases in our financial lease receivables, financial assets at fair value through profit or loss, as well as cash and bank balances, which are in line with our overall business growth.

As of December 31, 2018, our net current assets increased from RMB7,823.3 million as of December 31, 2017 to RMB8,389.9 million, mainly due to the increases in our financial lease receivables, cash and bank balances, financial assets at fair value through profit or loss, as well as financial assets held under resale agreement, which are in line with our overall business expansion.

As of December 31, 2017, our net current assets increased by 83.8% from RMB4,256.6 million as of December 31, 2016 to RMB7,823.3 million. This increase was mainly due to increases in finance lease receivables, factoring receivables, entrusted loans and other loans, as well as the increase in our cash and bank balances, reflecting our overall business growth.

As of December 31, 2016, our net current assets amounted to RMB4,256.6 million. The net current assets as of December 31, 2016 were mainly attributable to the increase in the finance lease receivables, factoring receivables and entrusted loans as well as the increase in our cash and bank balances, which reflected the rapid growth of our business.

We had negative operating cash flows in 2016, 2017 and 2018, primarily due to the increase in our finance lease receivables, factoring receivables and entrusted loans and other loans as a result of our overall business growth. Although we had negative operating cash flows in 2016, 2017 and 2018, we believe we have sufficient working capital required for our operations based on our sound financial condition and strong financing capabilities as described below:

- We have maintained strong and long-term relationships with major commercial banks and other financial institutions in China. As of February 28, 2019, we had credit facilities of RMB73.3 billion in aggregate, approximately RMB35.0 billion of which had not been used.
- As of February 28, 2019, we had (i) an unused quota to issue ultra-short-term commercial papers of RMB4,000 million and (ii) an unused quota to issue private placement notes of RMB2,700 million.
- We receive lease payments in installments from our customers on a monthly, quarterly or annual basis which enables us to maintain a healthy cash flow position.

Taking into account of the financing sources available to us, including cash and bank balances, cash flows from operating activities, borrowings, issuance of debt securities, as well as estimated net **[REDACTED]** from the **[REDACTED]** (after a possible **[REDACTED]** setting the **[REDACTED]** up to 10% below the bottom end of the indicative **[REDACTED]**), our Directors believe that we have sufficient working capital for our operations at present and for at least the next 12 months from the date of this Document. After making reasonable inquiries of our management about our working capital, there is nothing that has caused the Joint Sponsors to disagree with the Directors' view.

INDEBTEDNESS

As of February 28, 2019 (being the latest date for determining our indebtedness), we had borrowings of RMB31,206.0 million, bonds payable of RMB28,704.2 million, non-trade amount due to holding company of RMB3.9 million, lease liabilities of RMB28.5 million and perpetual medium-term notes of RMB1,245.1 million. As of the same date, the current portion and non-current portion of our indebtedness amounted to RMB30,415.5 million and RMB30,772.1 million, respectively, representing 49.7% and 50.3% of our total indebtedness. During the Track Record Period and up to the Latest Practicable Date, we did not have any material default on our debt covenants. Subject to market conditions and our funding needs, as of the Latest Practicable Date, we plan to issue ultra-short-term commercial papers, short-term commercial papers, asset-backed securities, asset-backed notes, fixed medium-term notes, perpetual medium-term notes, private placement notes and corporate bonds in the domestic market in 2019.

The following table sets forth a breakdown of our indebtedness by types as of the dates indicated:

	As of December 31,			As of February 28,
	2016	2017	2018	2019
	(RMB in millions)			(Unaudited)
Current				
Borrowings	13,220.0	15,116.2	18,162.1	16,868.4
Bonds payable	1,179.3	6,074.4	12,856.9	13,522.7
Non-trade amount due to holding company	435.8	18.7	4.0	3.9
Lease liabilities	—	—	—	20.6
Subtotal	**14,835.1**	**21,209.3**	**31,023.0**	**30,415.5**
Non-current				
Borrowings	11,235.6	9,691.6	12,836.5	14,337.7
Bonds payable	3,820.1	9,970.0	14,594.8	15,181.5
Perpetual medium-term notes	1,229.5	1,235.3	1,237.0	1,245.1
Lease liabilities	—	—	—	7.9
Subtotal	**16,285.2**	**20,896.9**	**28,668.3**	**30,772.1**
Total	**31,120.3**	**42,106.2**	**59,691.3**	**61,187.6**

Borrowings

During the Track Record Period, we funded our business operation primarily through borrowings.

Bank Borrowings

As of December 31, 2016, 2017, 2018 and February 28, 2019, the outstanding amount of current bank borrowings was RMB11,822.7 million, RMB13,241.8 million, RMB17,088.0 million and RMB16,868.4 million, respectively. As of December 31, 2016, 2017, 2018 and February 28, 2019, the outstanding amount of our non-current bank borrowings was RMB9,766.2 million, RMB9,691.6 million, RMB12,836.5 million and RMB13,447.9 million, respectively. As of February 28, 2019, we had credit facilities of RMB73.3 billion in aggregate from 62 domestic and overseas financial institutions, approximately RMB35.0 billion of which were unutilized.

Our borrowings from banks consist primarily of bilateral loans and syndicated loans. The agreements we signed for our borrowings are usually based on form agreements provided by the lending banks or syndicates, which contain certain material financial covenants by the borrowers. Such covenants usually include:

- the ratio of risk assets to net assets may not exceed a certain percentage and risk assets refer to the total assets of the borrower net of risk-free assets (including cash, bank balances and investments in government bonds);
- the asset-liability ratio (the ratio of total liabilities to the total assets of the borrower) may not exceed a certain percentage;
- the rental recovery ratio may not fall below a certain percentage, or the borrower may otherwise be required to provide supplementary security as requested by the lending banks. We, as the lessor, generally use the accounts receivable from our lessees under the finance lease contracts as collateral to secure our debts under the bank borrowing agreements. Rental recovery ratio represents the ratio of the rents received to the rents receivable for the current period according to the aforesaid finance lease contracts; and

- the pledge ratio may not exceed a certain percentage, or the borrower may otherwise be required to provide supplementary security. For a specific bank borrowing agreement, the pledge ratio represents the ratio of the outstanding balance under such bank borrowing agreement to the accounts receivable used as security for such loan.

Our bank borrowing agreements generally include the following major covenants. In accordance with such covenants, except for certain exceptions (such as obtaining consent from the lender), the borrower and its controlling shareholders (as the case may be) may not:

- create external pledge on the collaterals securing the borrowing agreement (if applicable);
- create or allow any lien on any of its assets;
- enter into merger, division, contracted operation or similar arrangements;
- decrease its registered capital;
- pledge its equity interests outside the borrower's group or its controlling shareholders lose their controlling shareholding;
- distribute dividends, bonus or similar payments to its shareholders before the conditions prescribed in the loan agreement are satisfied;
- acquire loans for liquidity purpose, amount of which has exceeded the borrower's actual capital needs; and
- conduct equity transfer, make external investments or substantially increase its debt investments which have or may have a material adverse impact on the lender.

Events of default under our bank borrowing agreements generally include (i) default of payment; (ii) misappropriation of loans; (iii) misrepresentation; (iv) cross default; (v) liquidation and bankruptcy; (vi) creditors' process; (vii) changes in shareholding; (viii) failure to meet financial indicators; and (ix) any events with material adverse effect.

Income Certificates Issued

We issued income certificates which are subscribed by institutional investors (including corporations and financial institutions) and individual investors through over-the-counter or quotation systems of securities firms. The individual investors must have opened over-the-counter accounts with securities firms and met the risk tolerance standard to invest in income certificates. As of December 31, 2016 and 2017, the outstanding amount of income certificates that we issued was RMB377.2 million and nil. We did not issue income certificates in 2018 and 2019.

Borrowings from Related Parties

Our borrowings from related parties consist of loans with a total principal amount of US$179 million and RMB1,227 million provided by (i) our Shareholders, Haitong International Holdings and Haitong UT Capital, and (ii) Haitong Investment Ireland PLC, and Unican Limited, which are subsidiaries of our Shareholder. As of December 31, 2016, 2017 and 2018 and February 28, 2019 the outstanding amount of borrowings from related parties was RMB2,763.0 million, RMB1,874.4 million, RMB1,074.1 million and RMB889.8 million, respectively.

Non-trade Amount Due to Holding Company

As of December 31, 2016, 2017 and 2018 and February 28, 2019, our non-trade amount due to holding company amounted to RMB435.8 million, RMB18.7 million, RMB4.0 million and RMB3.9 million, which represented our amounts payable to Haitong UT Capital, one of our shareholders.

Lease Liabilities

As of February 28, 2019, we recorded lease liabilities of RMB28.5 million for our leased properties pursuant to IFRS 16 which requires a right-of-use asset and a corresponding liability have to be recognized for all leases by a lessee except for short-term leases and leases of low-value assets.

Bonds Payable

From January 1, 2016 to February 28, 2019, in addition to credit facilities and loans from banks, we also raised a significant amount of funds for our business operations through issuing various debt instruments, including fixed medium-term notes, asset-backed securities, asset-backed notes, short-term commercial papers, ultra-short-term commercial papers, corporate bonds and private placement notes. As of February 28, 2019, the outstanding principal amount of our fixed medium-term notes, asset-backed securities, asset-backed medium-term notes, short-term commercial papers, ultra-short-term commercial papers, corporate bonds and private placement notes was RMB3,000 million, RMB9,533.5 million, RMB2,499.6 million, RMB2,250 million, RMB4,000 million, RMB4,200 million and RMB3,300 million, respectively.

Fixed Medium-term Notes

The following table sets forth the details medium-term notes with a fixed term issued by us as of February 28, 2019:

	Third medium-term notes of 2016	Fourth medium-term notes of 2016	First medium-term notes of 2018	Second medium-term notes of 2018
Principal amount	RMB600 million	RMB600 million	RMB1,000 million	RMB800 million
Coupon rate	4.07%	3.70%	5.77%	5.23%
Maturity date	June 7, 2021	July 15, 2021	March 23, 2021	April 27, 2021
Credit rating of bonds	AA+	AA+	AAA	AAA
Rating agency	Shanghai Brilliance	Shanghai Brilliance	Shanghai Brilliance	Shanghai Brilliance
Issue date	June 3, 2016	July 15, 2016	March 20, 2018	April 24, 2018
Offer price	RMB100 (at par)	RMB100 (at par)	RMB100 (at par)	RMB100 (at par)

Asset-backed Securities Schemes

From January 1, 2016 to February 28, 2019, we launched several asset-backed securities schemes, in an aggregate principal amount of RMB13,984 million. As of February 28, 2019, the outstanding principal amount of our asset-backed securities was RMB9,533.5 million.

The following table sets forth the details of the asset-backed securities schemes issued by us as of February 28, 2019:

	"HFT ABS III – 2016" Asset-Backed Scheme	"Haitong Unitrust IV" Asset-Backed Scheme	"Haitong Unitrust V" Asset-Backed Scheme	"Haitong Unitrust No.1" Asset-Backed Scheme	"Haitong Unitrust No.2" Asset-Backed Scheme	"Haitong Unitrust No.3" Asset-Backed Scheme	"Haitong Unitrust Micro No.1" Asset-Backed Scheme	"Haitong Unitrust No.4" Asset-Backed Scheme	"Haitong Unitrust Micro No.2" Asset-Backed Scheme	"Haitong Unitrust No.5" Asset-Backed Scheme
Principal amount	RMB1.5 billion	RMB1,650 million	RMB1,114 million	RMB1,004 million	RMB1,500 million	RMB1,050 million	RMB1,000 million	RMB1,445 million	RMB1,000 million	RMB1,520 million
Coupon rate	3.72% for senior notes; not applicable for subordinated notes	5.40% for senior notes; not applicable for subordinated notes	5.90%~6.20% for senior notes; not applicable for subordinated notes	5.10%~6.10% for senior notes; not applicable for subordinated notes	5.49%~5.84% for senior notes; not applicable for subordinated notes	4.50%~5.83% for senior notes; not applicable for subordinated notes	5.00% for senior notes; not applicable for subordinated notes	4.66%~5.80 for senior notes Not applicable for subordinated notes	5.00%~5.50% for senior notes Not applicable for subordinated notes	3.83%~5.00% for senior notes Not applicable for subordinated notes
Maturity date	October 21, 2019	June 12, 2023	February 20, 2018 – February 20, 2022	December 20, 2018 – December 18, 2020	March 20, 2019 – March 18, 2021	May 20, 2019 – May 20, 2021	November 20, 2019 – August 20, 2020	November 20, 2019 – November 18, 2021	February 20, 2020 – November 18, 2021	February 20, 2020 – February 18, 2022
Bond rating	AAA for senior securities	AAA for senior Securities	AAA for senior securities	AAA for senior securities	AAA for senior securities	AAA for senior securities; not applicable for subordinated notes	AAA for senior notes; not applicable for subordinated notes	AAA for senior notes Not applicable for subordinated notes	AAA for senior notes Not applicable for subordinated notes	AAA for senior notes Not applicable for subordinated notes
Rating agency	Shanghai Brilliance	Shanghai Brilliance	Shanghai Brilliance	Shanghai Brilliance	Shanghai Brilliance	Shanghai Brilliance	Shanghai Brilliance	Shanghai Brilliance	Shanghai Brilliance	Shanghai Brilliance
Interest commencement date	November 15, 2016	August 4, 2017	January 17, 2018	April 27, 2018	June 15, 2018	August 21, 2018	September 20, 2018	November 23, 2018	December 27, 2018	February 27, 2019
Offer price	RMB100 (at par)	RMB100 (at par)	RMB100 (at par)	RMB100 (at par)	RMB100 (at par)	RMB100 (at par)	RMB100 (at par)	RMB100 (at par)	RMB100 (at par)	RMB100 (at par)
Underlying assets	Creditors' rights to financial leases	Creditors' rights to financial leases	Creditors' rights to financial leases	Creditors' rights to financial leases	Creditors' rights to financial leases	Creditors' rights to financial leases	Creditors' rights to financial leases	Creditors' rights to financial leases	Creditors' rights to financial leases	Creditors' rights to financial leases

Asset-backed Notes

From January 1, 2016 to February 28, 2019, we issued asset-backed notes at par in a principal amount of RMB3,430 million. The following table sets forth the details of our asset-backed notes as of February 28, 2019:

	"Haitong Unitrust I" Asset-Backed Notes	"Haitong Unitrust" 2018 Asset-Backed Notes Series I	"Haitong Unitrust" 2018 Asset-Backed Notes Series II
Principal amount	RMB1,430 million	RMB1,000 million	RMB1,000 million
Coupon rate	5.80% for senior notes Not applicable for subordinated notes	4.90%~6.20% for senior notes Not applicable for subordinated notes	4.50%~5.90% for senior notes Not applicable for subordinated notes
Maturity date	September 19, 2022 – December 19, 2022	April 19, 2019 – October 19, 2020	August 19, 2021 –November 19, 2021
Rating	AAA for senior notes Not applicable for subordinated notes	AAA for senior notes Not applicable for subordinated notes	AAA for senior notes Not applicable for subordinated notes
Rating agency	Shanghai Brilliance	Shanghai Brilliance	Shanghai Brilliance
Interest commencement date	November 22, 2017	July 31, 2018	December 21, 2018
Offer price	RMB100 (at par)	RMB100 (at par)	RMB100 (at par)
Underlying assets	Creditors' rights to financial leases	Creditors' rights to financial leases	Creditors' rights to financial leases

Short-term Commercial Papers

Pursuant to the approval of the PBOC, we registered with the National Association of Financial Market Institutional Investors for issuing short-term commercial papers up to RMB2,250.0 million on March 6, 2017. On the same date, we issued unsecured short-term commercial papers with a principal amount of RMB1,000 million on the PRC inter-bank bond market, with a maturity date of March 7, 2018. On March 23, 2018, we issued unsecured short-term commercial papers of RMB1,250 million on the PRC inter-bank bond market.

The following table sets forth the details of our outstanding short-term commercial papers as of February 28, 2019:

	First tranche of short-term commercial papers for 2018	Second tranche of short-term commercial papers for 2018
Principal	RMB1,250 million	RMB1,000 million
Coupon rate	5.00%	4.30%
Maturity date	March 27, 2019	October 31, 2019
Rating agency	Shanghai Brilliance	Shanghai Brilliance
Issue date	March 28, 2018	November 1, 2018
Offer price	RMB100 (at par)	RMB100 (at par)

Ultra-short-term Commercial Papers

From January 1, 2016 to February 28, 2019, we issued several tranches of unsecured ultra-short-term commercial papers in an aggregate principal amount of RMB11,600 million on the PRC inter-bank bond market. The following table sets forth the details of our outstanding ultra-short-term commercial papers as of February 28, 2019:

	Fourth tranche for 2018	Fifth tranche for 2018	First tranche for 2019	Second tranche for 2019
Principal	RMB1,000 million	RMB1,000 million	RMB1,000 million	RMB1,000 million
Coupon rate	3.94%	4.00%	3.48%	3.25%
Maturity date	August 19, 2019	September 14, 2019	August 22, 2019	November 18, 2019
Rating agency	Shanghai Brilliance	Shanghai Brilliance	Shanghai Brilliance	Shanghai Brilliance
Issue date	November 20, 2018	December 13, 2018	January 22, 2019	February 19, 2019
Offer price	RMB100 (at par)	RMB100 (at par)	RMB100 (at par)	RMB100 (at par)

Corporate Bonds

From January 1, 2016 to February 28, 2019, we issued unsecured corporate bonds listed on Shanghai Stock Exchange in an aggregate principal amount of RMB4,200 million. The following table sets forth the details of the corporate bonds issued by us as of February 28, 2019:

	First tranche of corporate bonds for 2017	Second tranche of corporate bonds for 2017	First tranche of corporate bonds for 2018	Second tranche of corporate bonds for 2018	First tranche of corporate bonds for 2019
Principal	RMB1,500 million	RMB 1,000 million	RMB800 million	RMB400 million	RMB500 million
Coupon rate	4.95%	4.70%	5.05%	4.85%	5.20%
Maturity date	June 20, 2020	July 21, 2020	September 21, 2021	October 26, 2021	February 28, 2022
Bond rating	AAA	AAA	AAA	AAA	N/A
Rating agency	Shanghai Brilliance	Shanghai Brilliance	Shanghai Brilliance	Shanghai Brilliance	N/A
Issue date	June 21, 2017	July 21, 2017	September 20, 2018	October 24, 2018	February 26, 2019
Offer price	RMB100 (at par)	RMB100 (at par)	RMB100 (at par)	RMB100 (at par)	RMB100 (at par)

Private Placement Notes

As of February 28, 2019, we issued private placement notes with a principal amount of RMB3,300 million in aggregate. The following table sets forth the details of our private placement notes as of February 28, 2019:

	Haitong Unitrust 2017-2019 private placement notes	Haitong Unitrust private placement notes First tranche for 2018	Haitong Unitrust private placement notes Second tranche for 2018	Haitong Unitrust private placement notes Third tranche for 2018	Haitong Unitrust private placement notes Fourth tranche for 2018
Principal amount	RMB800 million	RMB600 million	RMB500 million	RMB800 million	RMB600 million
Coupon rate	5.80%	6.35%	6.50%	5.20%	5.13%
Maturity date	November 11, 2020	February 12, 2021	June 19, 2021	November 30, 2021	December 12, 2020
Issue date	November 11, 2017	February 12, 2018	June 19, 2018	November 27, 2018	December 10, 2018
Offer price	RMB100 (at par)	RMB100 (at par)	RMB100 (at par)	RMB100 (at par)	RMB100 (at par)

Perpetual Medium-term Notes

On March 11, 2016, we issued the second tranche of medium-term notes in 2016 with a principal amount of RMB1,200 million. The medium-term notes in this tranche have no fixed maturity date and will remain subsisting until we redeem the notes in accordance with the terms when it becomes mature. We have an option of redemption exercisable on the fifth and each of the subsequent interest payment dates of such medium-term notes to redeem this tranche of medium-term notes at par value plus payable interest (including all accrued and unpaid interests).

The perpetual medium-term notes bears interest from March 14, 2016 at an initial coupon rate of 4.47% (representing the initial PBOC benchmark rate plus the initial interest spread), which will remain fixed during the first five interest-bearing years. If we do not exercise our right of redemption, the coupon rate will be adjusted to the then prevailing PBOC benchmark rate plus the initial interest spread and additional 300 basis points from the sixth interest-bearing year, which will remain fixed until the tenth interest-bearing year. Starting from the 11th interest-bearing year, the coupon rate will be reset every five years according to the then prevailing PBOC benchmark rate plus the initial interest spread and additional 600 basis points.

The credit rating agency for the issuance of such perpetual medium-term notes is Shanghai Brilliance, which has granted a rating of AA+ for such tranche of medium-term notes. The medium-term notes are issued at a price of RMB100 at par value.

As of February 28, 2019, the outstanding principal of the perpetual medium-term notes was RMB1,200 million.

Save as disclosed above, as of February 28, 2019, we did not have any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, loans, liabilities under acceptance or other similar indebtedness, hire purchase and financial leasing commitments, any guarantees or other material contingent liabilities. During the Track Record Period, we did not have any material default on our indebtedness, and as of the Latest Practicable Date, all of our outstanding short-term and long-term debt securities were not subject to any material restrictive covenants.

Our Directors have confirmed that there is no material change in our indebtedness since December 31, 2018 and up to the date of this Document.

SELECTED FINANCIAL INDICATORS

The following table sets forth our selected financial indicators for the periods indicated:

	For the year ended December 31,		
	2016	2017	2018
		(%)	
Profitability indicators			
Return on average assets[1]	2.18	2.35	1.84
Return on average net assets[2]	9.91	11.16	10.71
Adjusted weighted average return on net assets[3]	13.10	12.10	11.49
Net interest spread[4]	2.15	2.02	2.01
Net interest margin[5]	3.40	3.31	3.16
Cost-to-income ratio[6]	12.04	10.85	11.52
Net profit margin before tax and provision[7]	52.8	55.5	47.3
Net profit margin[8]	26.8	31.0	24.6

	As of December 31,		
	2016	2017	2018
Liquidity indicators			
Liquidity ratio[9]	1.26	1.32	1.24
Risk asset to equity ratio[10]	4.20x	4.89x	6.02x
Gearing ratio[11]	285.8%	354.5%	462.0%
Asset quality indicators			
NPA ratio[12]	1.10%	0.93%	0.94%
Allowance coverage ratio for NPAs[13]	299.73%	335.92%	339.05%

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

(2) Calculated by dividing net profit attributable to the parent company for the year by the average balance of total shareholders' equity attributable to the parent company at the beginning and the end of the year.

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

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

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

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

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

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

(9) Calculated by dividing current assets by current liabilities as of the end of the year.

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

(11) Calculated by dividing total debt by total equity. During the Track Record Period, the total debt consisted of borrowings, bonds payable, financial assets sold under repurchase agreements and perpetual medium-term notes.

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

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

Our return on average assets decreased from 2.35% in 2017 to 1.84% in 2018 and our return on average net assets decreased from 11.16% in 2017 to 10.71% in 2018, primarily because the growth in our net profit was outpaced by that of our total assets. This mainly reflected (i) a greater growth rate of our average balance of interest-earning assets than the growth rate of our interest income because we usually enter into more new business in the second half of each year, (ii) an increase in our interest expenses in 2018 attributable to our increased financing scale and increased overall market interest rates, (iii) the intensified market competition among financial leasing companies which affected our pricing terms with certain customers, and (iv) our increased allowance for impairment loss.

Our return on average assets increased from 2.18% in 2016 to 2.35% in 2017, primarily due to the increase in net profit in 2017 attributable to our business growth and improved operating efficiency. Our return on average net assets was 11.16% in 2017 as compared to 9.91% in 2016. The lower return on average net assets in 2016 mainly reflected the impact of the capital injection of RMB3 billion by Haitong Capital Investment to us in December 2016 which resulted in an increase in the average balance of total shareholders' equity attributable to the parent company in 2016.

Our cost-to-income ratio increase from 10.85% in 2017 to 11.52% in 2018, primarily due to the increases in our staff cost, depreciation and amortization as well as other operating expenses, which are in line with our expansion. Our cost-to-income ratio decreased from 12.04% in 2016 to 10.85% in 2017, primarily due to the economies of scale attributable to our business growth and improved operating efficiency.

CAPITAL EXPENDITURES

Our capital expenditures principally include fixed assets, intangible assets, long-term amortization expenses and construction in progress, such as the purchase of aircraft, property, equipment, software and other intangible assets. The following table sets forth our capital expenditures for the periods indicated:

	For the year ended December 31,		
	2016	2017	2018
		(RMB in millions)	
Capital expenditures	376.8	1,285.2	2,660.4

In 2016, 2017 and 2018, our capital expenditures were RMB376.8 million, RMB1,285.2 million and RMB2,660.4 million, respectively. The capital expenditures in 2016, 2017 and 2018 included capital expenditure for aircraft lease of RMB355.6 million, RMB1,242.5 million and RMB2,645.5 million. As of December 31, 2018, we estimated that our capital expenditures for 2019 would be approximately RMB1,917.5 million, most of which would be used for the purchase of aircraft for operating leasing business. We intend to finance our capital expenditures with our cash flow generated from operating activities, bank borrowings, issuance of bonds and net **[REDACTED]** from the **[REDACTED]**.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

Capital Commitments

The following table sets forth our capital commitments as of the dates indicated:

	As of December 31,		
	2016	2017	2018
	(RMB in millions)		
Signed external investment commitments but not yet reflected in the financial statements	225.0	–	1,948.0

In September 2016, Gui'an Financial, Haitong UT Capital and our Company entered into a joint venture contract for the investment and incorporation of Gui'an UT in China (Shanghai) Pilot Free Trade Zone. The joint venture has a registered capital of RMB1,500 million, among which RMB900 million, RMB375 million and RMB225 million was contributed by Gui'an Financial, Haitong UT Capital and our Company, respectively, representing 60%, 25% and 15% of the registered capital, respectively. As of March 31, 2017, we had fulfilled our capital contribution to Gui'an UT.

In 2018, three of our subsidiaries entered into construction and development contracts for PPP project management and government outsourcing business and approximately RMB721.6 million of the contract amount was not paid as of December 31, 2018. In addition, we entered into certain purchase agreements for property and equipments in 2018, under which approximately RMB1,226.4 million was not paid as of December 31, 2018.

Operating Lease Commitments

As the Lessee

We lease our office properties from third parties under operating leases. The following table sets forth our future minimum lease payments under non-cancellable operating leases as of the dates indicated:

	As of December 31,		
	2016	2017	2018
	(RMB in millions)		
Within one year	34.3	43.5	41.4
In the second to fifth year	43.1	30.7	14.0
Total	**77.4**	**74.2**	**55.4**

As the Lessor

We primarily lease out aircraft to third parties under non-cancellable operating leases with terms around 10 years. The following table sets forth our minimum non-cancellable operating lease receivables as of the dates indicated:

	As of December 31,		
	2016	2017	2018
	(RMB in millions)		
Within one year	43.7	151.2	408.7
In the second to fifth year	149.7	570.2	1,596.6
Over five years	123.2	342.0	1,073.0
Total	**316.6**	**1,063.3**	**3,078.3**

CONTINGENT LIABILITIES

As of the Latest Practicable Date, we were not involved in any material legal, arbitration or administrative proceedings that were expected to materially and adversely affect our financial condition or results of operations, although there can be no assurance that this will not be the case in the future.

Our Directors confirm that there has been no material change in our contingent liabilities since December 31, 2018 to the date of this Document.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we did not have any outstanding off-balance sheet guarantees.

RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. Our Directors consider that the related party transactions set out in Note 48 to the Accountants' Report in Appendix I to this Document were conducted in the ordinary course of business on an arm's length basis and with reference to normal commercial terms of each party. In particular, as of December 31, 2016, 2017 and 2018, the aggregate outstanding amount of loans from related parties (including Haitong UT Capital, Haitong International Holdings, Haitong Investment Ireland PLC and Unican Limited) was RMB2,763.0 million, RMB1,874.4 million and RMB1,074.1 million, respectively. The interest rates which we paid on the borrowings from related parties were generally in line with the prevailing market rates. Our Directors are also of the view that our related party transactions during the Track Record Period will not affect our track record results or make our historical results not reflective of our future performance.

We expect that certain of our related party transactions (including (i) loans provided by related parties, (ii) referral services and financial services provided by related parties, and (iii) our investments in financial products managed or issued by related parties) will continue after the **[REDACTED]**. See "Connected Transactions" for our connected transactions under Chapter 14A of the Listing Rules.

QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT FINANCIAL RISKS

We have designed a set of risk management and control system to measure, monitor and manage financial risks arising in the ordinary course of business. See "Risk Management" and Note 50 to the

Accountants' Report in Appendix I to this Document for an overview of our risk management processes. The main financial risks arising from our operating activities are credit risk, market risk and liquidity risk. The following discussion of our main financial risks and the estimated amounts of our risk exposure generated by our risk measurement models are forward-looking statements. These analysis and results of our risk measurement models are not, however, predictions of future events, and the actual results may be significantly different from such analysis and results of our risks measure models due to events in the global economy or the markets where we operate, as well as other factors described below.

Credit Risk

We are exposed to credit risk in relation to our finance lease receivables, entrusted loans and other loans, factoring receivables and other financial receivables. Our credit risk represents the risk of potential loss suffered by us due to the failure of the lessee or the counterparty to meet its contractual obligations. Credit risk is considered as one of the most significant risks to our business operations. The management therefore manages our exposure to credit risk with a prudent principle. We have established the credit risk management structure covering the whole business process and formulated relevant internal policies and processes to identify, measure, monitor, control and report credit risk. We enter into transactions only with creditworthy third parties. According to our policies, we examine and verify the credit risk of all customers with which we have credit transactions. See "Risk Management – Credit Risk Management" for details about our credit risk management.

We are also confronted with credit risk for other financial assets held by us. The financial assets held by us mainly include financial assets held under resale agreements, financial assets at fair value through profit or loss, derivative financial instruments, cash and bank balances, and other financial assets. The credit risk of these financial assets arises from the counterparty's inability to meet its obligations. The maximum exposure to credit risk equals to the book values of these assets.

After the adoption of the IFRS 9, in addition to the credit risk limit management and other mitigation measures as described above, we also monitor 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, we will measure the loss allowance based on lifetime rather 12-month ECL. We use forward-looking macro-economic data such as GDP growth, PPI and CPI in our assessment of significant increase of credit risk as well as in our measurement of ECL.

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

Category	Description	Basis for recognizing ECL
Stage 1	For financial assets where there has low risk of default or has not been a significant increase in credit risk since initial recognition and that are not credit impaired.	12m ECL
Stage 2	For financial assets where there has been a significant increase in credit risk since initial recognition but that are not credit impaired.	Lifetime ECL – not credit impaired
Stage 3	Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred.	Lifetime ECL – credit impaired

Market Risk

Market risk is the risk of losses incurred to us due to adverse changes in market price, principally including exchange rate risk and interest rate risk.

Exchange Rate Risk

Exchange rate risk refers to the risk of losses incurred to our overall income and economic value due to adverse changes in exchange rate. Our exchange rate risk is mainly due to the mismatch between assets and liabilities in currency. We identify and measure impact of changes in exchange rate on our operations mainly through sensitivity analysis on exchange rate and hedge exchange rate risk by actively adjusting asset-liability structure and, from time to time, by utilizing derivative instruments including currency forwards. As of December 31, 2018, the nominal principal of our currency forwards was RMB1,987.9 million.

We conduct sensitivity analysis on exchange rate risk to measure the impact of a reasonably possible change in exchange rate of foreign exchange against RMB on our net profit, assuming all other variables are held constant. Assuming a parallel change in exchange rate without taking into account any possible risk management activities that may be taken by management to reduce the relevant risks, our sensitivity analysis is as follows:

	As of December 31,		
	2016	2017	2018
	Net profit increase/(decrease)	Net profit increase/(decrease)	Net profit increase/(decrease)
		(RMB in millions)	
US dollars against RMB			
Increased by 5%	(21.3)	(76.4)	(210.4)
Decreased by 5%	21.3	76.4	210.4

Interest Rate Risk

Interest rate risk refers to the risk of losses incurred to our overall income and economic value due to adverse changes in interest rate, term structure and other elements. We identify and measure the impact of changes in interest rate on our operations mainly through instruments such as sensitivity analysis based on benchmark interest rates by application of the gap data, which is calculated as the difference between interest-earning assets maturing in a certain period or needing to be re-priced and interest-bearing liabilities periodically.

The following sensitivity analysis is targeted at the interest rate risk faced by financial assets and liabilities affected by changes in interest rate, including cash flow interest rate risk and fair value interest rate risk. The analysis is prepared on the assumption that the outstanding interest-bearing financial assets and liabilities as of the end of each reporting period had remained outstanding throughout the whole year. In reporting the interest rate risk to the management, the sensitivity analysis will be conducted on the basis of an increase or decrease of 100 basis points in the relevant interest rate after taking into consideration of the reasonably possible change in interest rate.

	As of December 31,					
	2016		2017		2018	
	Net profit	Other comprehensive income	Net profit	Other comprehensive income	Net profit	Other comprehensive income
	(RMB in millions)					
Change in yield curve						
Increased by 100 basis points	116.2	(3.6)	195.6	(0.1)	261.2	–
Decreased by 100 basis points	(116.2)	3.7	(195.6)	0.1	(261.2)	–

Liquidity Risk

Source and Management of Liquidity Risk

Liquidity risk refers to the risk that we are unable to timely obtain sufficient funds at a reasonable cost to repay the debts due, perform other payment obligations and meet capital needs for normal business operation. Our liquidity risk management aims to establish a timely, reasonable and effective liquidity risk management system to effectively identify, measure, evaluate, monitor and control liquidity risk through effective management of our assets and liabilities, in order to ensure our liquidity needs can be promptly met at a reasonable cost. We manage our liquidity risk mainly through management of liquidity risk indicators, daily management of liquidity risk, stress test and emergency management plan.

Analysis of Maturity Dates of Non-derivative Financial Assets and Liabilities

We manage liquidity risk based on expected future cash flows. The following table presents the undiscounted cash flows from our non-derivative financial liabilities and assets by the remaining contractual maturities as of the dates indicated.

	As of December 31, 2018						
	Overdue	On demand	Within 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
	(RMB in millions)						
Financial Assets							
Cash and bank balances	–	3,770.7	188.1	346.6	–	–	4,305.4
Finance lease receivables	434.7	–	9,000.3	25,361.3	34,345.0	284.6	69,425.9
Loans and receivables	35.5	–	1,225.1	3,702.7	2,666.5	158.4	7,788.1
Financial assets at fair value through profit or loss	–	–	1,897.8	439.2	–	36.1	2,373.1
Financial assets held under resale agreements	–	–	–	985.1	–	–	985.1
Accounts receivable	4.0	41.5	–	–	–	–	45.5
Other financial assets	–	384.0	1.0	–	–	–	385.0
Non-derivative financial assets total	474.2	4,196.1	12,312.3	30,834.8	37,011.4	479.1	85,308.0
Financial Liabilities							
Borrowings	–	–	6,535.6	12,414.2	11,601.5	1,546.6	32,097.9
Accounts payable	–	401.1	–	–	–	–	401.1
Bonds payable	–	–	5,886.2	8,093.5	15,374.2	–	29,353.9
Other financial liabilities	–	121.2	305.2	2,049.6	6,501.6	187.4	9,165.0
Non-derivative financial liabilities total	–	522.4	12,727.0	22,557.2	33,477.3	1,734.0	71,017.9
Net position	474.2	3,673.8	(414.7)	8,277.6	3,534.1	(1,254.9)	14,290.1

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies and estimates significant to the preparation of our financial statements in accordance with IFRS. Such accounting policies, which are set out in note 4 of the Accountants' Report in Appendix I to this Document, are essential for an understanding of our financial condition and results of operations.

Some of our accounting policies involve subjective assumptions, estimates and judgments. See note 5 of the Accountants' Report in Appendix I to this Document for details. In the application of our accounting policies, our management are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Our estimates and associated assumptions are based on previous experience and other factors that are considered to be relevant. Actual results may differ from these estimates. Our estimates and underlying assumptions are reviewed by our management on an on-going basis.

Our management has identified the below accounting policies, estimates and judgments that they believe are significant to the preparation of our financial statements.

Significant Accounting Judgments and Estimates

Classification of Leases

We have entered into certain lease businesses whereby we have determined that we have transferred substantially all the risks and rewards incidental to ownership of the assets held for lease businesses to the

lessees, as the present values of the minimum lease payments of the lease amounts to at least substantially all of the fair value of the assets held for lease businesses at the inception of the leases. Accordingly, we have excluded the assets held for lease businesses under finance lease from our consolidated statements of financial position and has instead, recognised finance lease receivables. Otherwise we include the assets held for lease businesses under operating lease in property and equipment. The determination of whether we have transferred substantially all the risks and rewards incident to ownership depends on an assessment of the relevant arrangements relating to the lease, which involved critical judgements by management.

Classification of Financial Assets

Upon the initial recognition of financial assets, we need to determine the classification of financial assets in accordance with IAS 39 before adoption of IFRS 9 as of January 1, 2018, and IFRS 9 after adoption of IFRS 9. Since the subsequent measurement methods are different for various categories of financial assets, the classification of financial assets would have an impact on our Group's financial condition and operational results.

Impairment of Finance Lease Receivables

We review our finance lease receivables to assess impairment on a regular basis. The methodologies and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Before the adoption of IFRS 9, management estimates the amount of loss allowance under using incurred credit loss model. The impairment loss amount of the individual finance lease receivable is the net decrease in the present value of the estimated future cash flows, and the evidence of impairment may include observable data indicating that there is a measurable decrease in the estimated future cash flows of the individual finance lease receivable. We periodically review our finance lease receivables to assess impairment individually and collectively except that there are known situation demonstrating impairment losses have occurred during that period. We make judgments as to whether there is any observable data indicating that an impairment loss should be recorded in the statement of profit or loss from a portfolio of finance lease receivables before the decrease can be identified with an individual finance lease receivable in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group (e.g. payment delinquency or default), or national or local economic conditions that correlate with defaults on assets in the portfolio. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows.

Since the adoption of IFRS 9 on January 1, 2018, management estimates the amount of loss allowance for ECL on financial lease receivables that are measured at amortized cost based on the credit risk of the finance lease receivables. The loss allowance amount is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit loss of the finance lease receivables. The assessment of the credit risk of the finance lease receivables involves high degree of estimation and uncertainty. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise, accordingly.

The following significant judgements are required in applying the accounting requirements for measuring the ECL:

Significant increase of credit risk

ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased, we take into account qualitative and quantitative reasonable and supportable forward looking information.

Models and assumptions used

We use various models and assumptions in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

Fair Value of Financial Instruments

We have adopted valuation models to calculate the fair value for the financial instruments without active market price. Such valuation models include discounted cash flow model and other valuation models. In practice, the discounted cash flow model only use the observable data whenever possible, however, the management still needs to make assumptions regarding to the factors, such as counterparty's credit risk, market volatility and correlations. The estimated fair value of the financial instruments will be affected for any changes of the above factors.

Income Taxes

There are certain transactions and activities for which the ultimate tax determination is subject to the final approval of annual tax return our Group filed with relevant tax authorities. Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will impact the current income tax and deferred income tax in the period during which such a determination is made.

Deferred Tax Assets and Liabilities

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Where the actual or expected tax position of the relevant companies of our Group in future are different from the original estimates, such differences will impact on the recognition of deferred tax assets and liabilities and income tax charge in the period in which such estimate has been changed.

Share-based Payments

The fair value of the share option at the grant date is the best estimate based on the grant date situation, and our Group is measuring all share payment transactions at fair value appropriately. The fair value of the equity instruments is based on a reasonable assumption, using the binomial option

pricing model. The exercise condition of the share-based payments needs to meet the conditions of time and performance. At the end of each reporting period, we revise our estimate of the number of equity instruments expected to vest, taking into account all relevant matters.

DIVIDENDS

During the Track Record Period, our Company did not declare or pay any dividends.

After the completion of the **[REDACTED]**, we may distribute dividends in the form of cash or by other means that we consider appropriate. Our Board is responsible for the formulation of dividend distribution proposal, which will be submitted to the shareholders' general meeting for approval. The declaration or payment of any dividends in the future, and the amount of any dividends, is subject to a number of factors, including our results of operations, cash flows, financial condition, capital adequacy status, cash dividends paid to us by our affiliates, business prospects, statutory, regulatory and contractual limitations on our declaration and payment of dividends, and other factors that our Board may consider important. However, we cannot assure you that we will declare or pay dividends in such amount, or at all, for each or any year.

According to the applicable PRC laws and our Articles of Association, we may pay dividends out of our profit after tax only after we have made the following allocations:

- recovery of accumulated losses, if any;
- allocations to the statutory surplus reserve equivalent to of 10% of our profit after tax, and when the statutory surplus reserve reaches and is maintained at or above 50% of our registered capital, no further allocations to this statutory surplus reserve will be required; and
- allocations, if any, to a discretionary reserve fund as approved by our Shareholders at the Shareholders' meeting.

Following the completion of the **[REDACTED]**, dividends may only be paid out of the distributable profits as determined under PRC GAAP or IFRS, whichever is lower. Any distributable profits that are not distributed in any given year may be retained for distribution in subsequent years.

DISTRIBUTABLE PROFITS

As of December 31, 2018, we had RMB2,213.8 million retained profits, as determined under IFRS, available for distribution.

[REDACTED]

FINANCIAL INFORMATION

[REDACTED]

DISCLOSURE REQUIRED UNDER CHAPTER 13 OF THE LISTING RULES

During the Track Record Period and up to the Latest Practicable Date, the Company and its subsidiaries entered into six loan agreements (the "Loan Agreements"), the details of which are disclosable under Rule 13.18 of the Listing Rules. The particulars of the Loan Agreements are set out in the following table:

Date of agreement	Borrower	Aggregate level of the facilities	Life of the facility	Specific performance obligation imposed
August 15, 2016	The Company	RMB910 million, subject to increase upon joining of additional lenders	36 months	(1) The Company shall immediately notify the lender where there occurs any change in shareholding of the Company that causes material adverse impact, or constitute an event of default or potential event of default; (2) Haitong Securities shall maintain its status as the single largest ultimate controlling shareholder of the Company, and maintain absolute control over the Company at the board of directors level and management level.
December 30, 2016	The Company	RMB7,300 million	48 months	(1) The Company and its shareholders undertake that, except where all lenders' consent is obtained, the Company's shareholders will not pledge its shares in the Company in favour of external parties; (2) The Company and its shareholders undertake that the Company's shareholders will maintain a shareholding in the Company of 51% or above; and (3) The Company shall ensure that Haitong Securities maintains actual control over the Company.
March 30, 2017	Haitong UniTrust Financial Leasing	RMB2,700 million	48 months	(1) Haitong UT Capital and the Company will not pledge its shares in Haitong Unitrust Financial Leasing in favour of external parties; (2) Except where all lenders' consent is obtained, Haitong UT Capital and the Company will not reduce their respective shareholdings in Haitong Unitrust Financial Leasing; and (3) Haitong Securities maintains actual control over Haitong Unitrust Financial Leasing.

Date of agreement	Borrower	Aggregate level of the facilities	Life of the facility	Specific performance obligation imposed
April 28, 2018	The Company	RMB3,500 million	48 months	(1) The Company and its shareholders will not pledge its shares in the Company in favour of external parties except where all lenders' consent is obtained; (2) The Company and its shareholders undertake that, Haitong Securities will maintain a shareholding in the Company directly and indirectly of 51% or above; and (3) The Company shall ensure that Haitong Securities maintains actual control over the Company.
June 29, 2018	The Company	US$ 200,000,000	24 months	The Company shall promptly notify the facility agent upon becoming aware of change of control: (1) Haitong Securities ceases to maintain a shareholding in the Company of 51% and the Company has a corporate credit rating which is lower than (i) BBB- by Standard & Poor's Rating Services; (ii) BBB- by Fitch Ratings Ltd; and (iii) Baa3 By Moody's Investors Service Limited; (2) Haitong Securities ceases to be the largest single shareholder of the Company; (3) Haitong Securities ceases to (directly or indirectly) control the Company.
January 18, 2019	The Company	RMB1,500 million	36 months	(1) The Company and its shareholders undertake that, except where the lender's consent is obtained, the Company and its shareholders will not pledge its shares in the Company in favor of external parties, nor reduce the share capital of the Company; and (2) The Company shall ensure that Haitong Securities maintains actual control over the Company.

The Directors confirm that, save as disclosed above, there were no circumstances during the Track Record Period and up to the Latest Practicable Date, which would give rise to a disclosure required under Rules 13.13 to 13.19 of the Listing Rules upon the **[REDACTED]** of the Shares on the Stock Exchange.

Our Directors anticipate that the Group's financial leasing activities may constitute notifiable transactions under Chapter 14 of the Listing Rules, which will be subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules. The Company will ensure compliance at all times with the applicable requirements under Chapter 14 of the Listing Rules in respect of the notifiable transactions.

DIRECTORS' CONFIRMATION OF NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that there has been no material adverse change in our financial or trading position or prospects since December 31, 2018 (being the date of our latest audited financial statements). There has been no event since December 31, 2018 which would materially affect the information shown in the Accountants' Report set out in Appendix I to this Document.

[REDACTED] EXPENSES

[REDACTED] expenses represent the professional fees, **[REDACTED]** and other fees incurred in connection with the **[REDACTED]** and the **[REDACTED]**. **[REDACTED]** expenses to be borne by us are estimated to be approximately HK$**[REDACTED]**, of which approximately HK$**[REDACTED]** is directly attributable to the issue of H Shares to the public and to be capitalized, and approximately HK$**[REDACTED]** has been or is expected to be reflected in our consolidated statements of profit or loss. Our Directors do not expect such expenses to materially affect our results of operations for 2018.

FUTURE PLANS AND USE OF [REDACTED]

FUTURE PLANS

For details of discussions on our future plans, see "Business – Our Strategies" in this Document.

USE OF [REDACTED]

Assuming that the **[REDACTED]** is HK$**[REDACTED]** per H Share (being the mid-point of the stated range of the **[REDACTED]** of between HK**[REDACTED]** and HK**[REDACTED]** per Share) and the **[REDACTED]** is not exercised, we estimate that we will receive net **[REDACTED]** of approximately HK$**[REDACTED]** from the **[REDACTED]** after deducting the **[REDACTED]** and other estimated expenses in connection with the **[REDACTED]**.

We intend to use the net **[REDACTED]** as follows:

- approximately **[REDACTED]**%, or HK$**[REDACTED]**, will be used for expanding our financial leasing business and factoring business;
- approximately **[REDACTED]**%, or HK$**[REDACTED]**, will be used for developing our overseas aircraft leasing business; see "Business – Principal Products and Services – Operating Leasing"; and
- the remaining approximately **[REDACTED]**%, or HK$**[REDACTED]**, will be used for providing funding for our working capital.

If the **[REDACTED]** is fixed at HK$**[REDACTED]** per H Share, being the high end of the **[REDACTED]** stated in this Document and assuming that the **[REDACTED]** is not exercised, the net **[REDACTED]** will be increased by approximately HK$**[REDACTED]**. If the **[REDACTED]** is fixed at HK$**[REDACTED]** per H Share, being the low end of the **[REDACTED]** stated in this Document and assuming that the **[REDACTED]** is not exercised, the net **[REDACTED]** will be reduced by approximately HK$**[REDACTED]**. To the extent our net **[REDACTED]** are either more or less than expected, we will adjust the allocation of the net **[REDACTED]** for the above purposes accordingly on a pro rata basis. If we make a **[REDACTED]** to set the **[REDACTED]** at HK$**[REDACTED]** per **[REDACTED]**, the estimated net **[REDACTED]** we will receive from the **[REDACTED]** will be further reduced by an additional amount of approximately HK$**[REDACTED]**. To the extent our net **[REDACTED]** are further reduced we will adjust the allocation of the net **[REDACTED]** for the above purposes accordingly on a pro rata basis.

The additional net **[REDACTED]** that we would receive if the **[REDACTED]** were exercised in full would be HK$**[REDACTED]**, after deducting the **[REDACTED]** and other estimated expenses in connection with the **[REDACTED]** and assuming an **[REDACTED]** of HK$**[REDACTED]** per H Share, being the mid-point of the **[REDACTED]** stated in this Document. Additional net **[REDACTED]** received due to the exercise of any **[REDACTED]** will be used for the above purposes accordingly on a pro rata basis in the event that the **[REDACTED]** is exercised. Assuming the **[REDACTED]** is exercised in full, (i) our net **[REDACTED]** will be increased by approximately HK$**[REDACTED]** in the event that the **[REDACTED]** is fixed at HK$**[REDACTED]** per **[REDACTED]** (being the high-end of the stated range of the **[REDACTED]**); and (ii) our net **[REDACTED]** will be increased by approximately HK$**[REDACTED]** in the event that the **[REDACTED]** is fixed at HK$**[REDACTED]** per **[REDACTED]** (being the low-end of the stated range of the **[REDACTED]**).

To the extent that the net **[REDACTED]** from the **[REDACTED]** are not immediately required for the above purposes and to the extent permitted by the applicable laws and regulations, we intend to use the net **[REDACTED]** from the **[REDACTED]** for short-term investment, such as liquid asset classes.

THE PRC REGULATORY OVERVIEW

Overview

Our businesses include financial leasing, operating leasing, factoring, entrusted loans and other loans, as well as advisory services. As a foreign-funded financial leasing company, we are mainly subject to the regulation of the MOFCOM. The laws and regulations applicable to the supervision of foreign-funded financial leasing industry in China mainly include the Administrative Measures on Foreign Investment in Leasing Industry (Order of the MOFCOM [2005] No.5) (《外商投資租賃業管理辦法》(商務部令[2005]年第5號), which was abolished in February 2018), the Administrative Measures on the Supervision of Financial Leasing Enterprises (Shang Liu Tong Fa [2013] No.337) (《融資租賃企業監督管理辦法》(商流通發[2013]337號)) and other relevant rules and regulations.

MAJOR REGULATORY AUTHORITIES

The MOFCOM

The MOFCOM is the department under the State Council responsible for domestic and foreign trade and international economic cooperation.

The MOFCOM regulates the financial leasing business principally in accordance with the Administrative Measures for Foreign Investment in the Leasing Industry (Order of the MOFCOM [2005] No.5) (《外商投資租賃業管理辦法》(商務部令[2005]年第5號), which was abolished in February 2018), the Administrative Measures for Supervision of Financial Leasing Enterprises (Shang Liu Tong Fa [2013] No.337) (《融資租賃企業監督管理辦法》(商流通發[2015])337號) and relevant laws and regulations. It also regulates the commercial factoring business in accordance with the Notice of the Ministry of Commerce on Issues Concerning Pilot Program of Commercial Factoring (Shang Zi Han [2012] No.419) (《商務部關於商業保理試點有關工作的通知》(商資函[2012]419號)), the Reply of the Ministry of Commerce on the Implementation of the Pilot Program of Commercial Factoring (Shang Zi Han [2012] No.919) (《商務部關於商業保理試點實施方案的覆函》(商資函[2012]919號)) and relevant laws and regulations.

The CBIRC

According to the proposed structural reform of the State Council adopted at the first general meeting of the 13th National People's Congress of China, China Banking Regulatory Commission and China Insurance Regulatory Commission were merged to establish the China Banking and Insurance Regulatory Commission ("CBIRC") under the State Council. The CBIRC is mainly responsible for the general regulation of the banking and insurance industries; ensuring the legal and proper operation of the industries; prevention and elimination of financial crisis; protection of legal rights of consumers; and maintenance of financial stability.

According to the Notice of the MOFCOM on Changes in Regulation of Financial Leasing, Factoring and Pawn Companies (Shang Ban Liu Tong Han [2018] No.165) (《商務部辦公廳關於融資租賃公司、商業保理公司和典當行管理職責調整有關事宜的通知》(商辦流通函[2018]165號)) and the letter from the CBIRC regarding the Division of Regulation of Three Categories of Institutions After Changes in Regulatory System (Yin Bao Jian Han [2018] No.25) (《關於商請做好三類機構職責轉隸後相關工作的函》(銀保監函[2018]25號)), with effect from April 20, 2018, the MOFCOM assigned the responsibilities of formulating the rules and regulations of financial leasing companies, business factoring companies and pawn operation to the CBIRC.

As at the Latest Practicable Date, no specific rules and regulations of financial leasing companies, business factoring companies and pawn operation have been promulgated by the CBIRC.

In Shanghai, according to the Notice on Division of Regulation of Three Categories of Institutions After Changes in Regulatory System (《市商務委關於做好三類機構職責轉隸工作的通知》) issued by the Commission of Commerce of Shanghai on July 5, 2018, the regulation functions shall be performed by the relevant department under the MOFCOM during the transition period before the promulgation of the relevant rules and regulation. In addition, the three categories of institutions shall report relevant information in a truthful, accurate and complete manner through the respective business administration systems based on the information submission requirement, whereas the financial regulatory authority of Shanghai and the competent local commerce authorities shall prepare the statistics regarding the foreign-funded investment and leasing companies.

In Tianjin, according to the Notice on Division of Regulation of Finance Leasing Institutions After Changes in Regulatory System (《關於做好融資租賃監管職責轉隸相關工作的通知》) issued by the Commission of Commerce of Tianjin on June 8, 2018, the regulation functions shall be performed by the relevant department under the MOFCOM before the completion of changes in regulatory of Three Categories of Institutions. The relevant department under the MOFCOM shall keep the supervision intensity to prevent the regulatory gaps.

Other Regulatory Authorities

Other than the abovementioned regulatory authorities, the Company is also under the supervision and regulation of the SAFE and the SAT and, as a subsidiary of a securities company, the CSRC. If the leased properties are subject to special industry regulations (for example, the financial leasing business for medical equipment shall be subject to the regulation of the China Food and Drug Administration), they shall be subject to the regulation of the corresponding regulatory authorities.

History and Development of Regulatory System

The former Ministry of Foreign Trade and Economic (currently known as the MOFCOM) promulgated the [Provisional Administrative Measures on the Approval of Foreign Investment in the Leasing Companies (Order of the Ministry of Foreign Trade and Economic 2001 No.3) (Abolished)] (《外商投資租賃公司審批管理暫行辦法》(對外貿易經濟合作 部令2001年第3號) (已廢止)) on August 14, 2001, which was the first law designated to regulate the investment in leasing companies by foreign companies. Subsequently, the regulatory system of foreign investment in financial leasing companies has undergone a series of improvements and developments. In 2003, the MOFCOM was established and continued to undertake the major regulatory function of the Ministry of Foreign Trade and Economic. It is responsible for drafting the policies of foreign trade, regulations of import and export, foreign direct investment, consumer protection, market competition and bilateral and multilateral negotiation on trading agreements. It has also officially taken over the authority of former State Economic and Trade Commission and Ministry of Foreign Trade and Economic in respect of the management of the leasing industry and foreign investment in leasing companies in accordance with the [Notice on the Issues in Relation to the Engagement in Financial Leasing Business by the MOFCOM and the SAT (Shang Jian Fa [2004] No.560)] (《商務部、國家税務總局關於從事融資租賃業務有關問題的通知》(商建發[2004]560號)).

The MOFCOM promulgated the Administrative Measures on Foreign Investment in Leasing Industry (Order of the MOFCOM [2005] No.5) (《外商投資租賃業管理辦法》(商務部令[2005]年第5號)) on

February 3, 2005, which was revised by MOFCOM in 2015 and terminated by the Order to Terminate and to Revise Certain Regulations by the MOFCOM (Shang Wu Bu Ling [2018] No.1) (《商務部關於廢止和修改部分規章的決定》(商務部令2018年第1號)) on February 22, 2018.

Thereafter, the Notice of the General Office of the Ministry of Commerce on Enhancing and Improving the Approval and Management of Foreign-funded Financial Leasing Companies (《商務部辦公廳關於加強和改善外商投資融資租賃公司審批與管理工 作的通知》) on July 11, 2013 and the Administrative Measures on the Supervision of Financial Leasing Companies (Shang Liu Tong Fa [2013] No.337) (《融資租賃企業監督 管理辦法》（商流通發[2013]337號)) on September 18, 2013 which stipulates the operation rules and regulatory requirements of financial leasing companies in accordance with the relevant provisions of the MOFCOM. These are the major laws and regulating financial leasing companies current in force.

In addition, according to the Official Replies to Relevant Issues about Medical Equipment Leasing (Guo Shi Yao Jian Shi [2004] No.20) (《關於租賃醫療器械有關問題的批覆》(國食藥監市[2004]20號)) and the Comments in Response to Some Regulatory Issues about Medical Equipment Financial Leasing (Guo Shi Yao Jian Shi [2005] No.250) (《關於融資租賃醫療器械監管問題的答覆意見》(國食藥監市[2005]250號)) promulgated by the State Food and Drug Administration (currently known as the China Food and Drug Administration) on April 15, 2004 and June 1, 2005, respectively, financial leasing of medical equipment is included into the scope of regulation. Companies engaging in financial leasing of medical equipment shall obtain the License for Enterprises Dealing in Medical Equipment (《醫療器械經營企業許可證》) (currently known as the License for Dealing in Medical Equipment (《醫療器械經營許可證》)) and comply with the regulatory requirements on the business operation of medical equipment under the Regulations on Supervision and Control of Medical Equipment (Order of the State Council No.680) (《醫療器械監督管理條例》(國務院令第680號)) and the Administrative Measures on the Business Operation and Supervision of Medical Equipment (Order of the CFDA No.8 and as revised by Order of the CFDA No.37) (《醫療器械經營監督管理辦法》(國家食品藥品監督管理總局令第8號，並經國家食品藥品監督管理總局令第37號修訂)).

In relation to the commercial factoring business, the MOFCOM promulgated the Reply of the Ministry of Commerce on the Implementation of the Pilot Program of Commercial Factoring (Shang Zi Han [2012] No.919) (《商務部關於商業保理試點實施方案的覆函》(商資函[2012]919號)) on October 9, 2012, which approves in principle the pilot program of commercial factoring in Binhai New Area (濱海新區), Tianjin and Pudong New Area (浦東新區), Shanghai, respectively. The MOFCOM promulgated the Notice of the Ministry of Commerce on the Pilot Program of Establishing Commercial Factoring Companies in Shenzhen and Guangzhou by Service Providers of Hong Kong and Macau (Shang Zi Han [2012] No.1091) (《商務部關於香港、澳門服務提供者在深圳市、廣州市試點設立商業保理企業的通知》(商資函[2012]1091號)) on December 7, 2012, which approves the pilot program of setting up commercial factoring companies in Guangzhou and Shenzhen by service providers of Hong Kong and Macau. The General Office of the MOFCOM promulgated the Notice of the General Office of the Ministry of Commerce on Improving the Management of the Commercial Factoring Industry (Shang Ban Zhi Han [2013] No.718) (《商務部辦公廳關於做好商業保理行業管理工作的通知》(商辦秩函[2013]718號)) on August 15, 2013, which stipulates the regulatory requirements on industry statistics, report of major events, inspection and other matters. The Office of Shanghai Municipal People's Government promulgated the Provisional Administrative Measures on Pilot Commercial Factoring in Shanghai (Hu Fu Ban [2014] No. 65) (《上海市商業保理試點暫行管理辦法》(滬府辦[2014]65號)) on July 8, 2014 (which became invalid on July 31, 2016), and the People's Government of Huangpu District, Shanghai promulgated the Provisional Measures on the Establishment and Management of Commercial Factoring Companies in Huangpu District (Huang Fu Gui [2014] No.1)(《黃浦區商業保理企業設立和管理試行辦法》

(黃府規[2014]1號)) on January 17, 2014 (which were abolished on January 21, 2016)to regulate the establishment and monitoring of commercial factoring companies in the relevant areas.

According to the Notice of the MOFCOM on Changes in Regulation of Financial Leasing, Factoring and Pawn Companies (Shang Ban Liu Tong Han [2018] No.165) (《商務部辦公廳關於融資租賃公司、商業保理公司和典當行管理職責調整有關事宜的通知》(商辦流通函[2018]165號) and the letter from the CBIRC regarding the Division of Regulation of Three Categories of Institutions After Changes in Regulatory System (Yin Bao Jian Han [2018] No.25) (《關於商請做好三類機構職責轉隸後相關工作的函》(銀保監函[2018]25號)), with effect from April 20, 2018, the MOFCOM assigned the responsibilities of formulating the rules and regulations of financial leasing companies, business factoring companies and pawn operation to the CBIRC.

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Industry Entry

Establishment

Pursuant to the Administrative Measures on Foreign Investment in Leasing Industry (Order of the MOFCOM [2005] No.5) (《外商投資租賃業管理辦法》(商務部令[2005] 年第5號)), which was terminated in February 2018, and the Notice of the General Office of the Ministry of Commerce on Enhancing and Improving the Approval and Management of Foreign-funded Financial Leasing Companies (《商務部辦公廳關於加 強和改善外商投資融資租賃公司審批與管理工作的通知》), certain conditions shall be satisfied for the establishment of foreign-funded financial leasing companies. In addition, according to the Provisional Administrative Measures on the Establishment and Change of Filing of Foreign-funded Enterprises (Order of the MOFCOM [2016] No.3 and as revised by Order of the MOFCOM 2017 No.2 and Order of the MOFCOM [2018] No.6) (《外商投資企業設立及變更備案管理暫行辦法》(商務部令[2016]年第3號)), as financial leasing is not among the industries on the negative list, the establishment and change of financial leasing companies invested by foreign investor (including companies, firms and other economic organizations from Hong Kong, Macau and Taiwan) shall be processed by the comprehensive management system of the MOFCOM.

Pursuant to the Notice of the General Office of the Ministry of Commerce on Enhancing and Improving the Approval and Management of Foreign-funded Financial Leasing Companies (《商務部辦公廳關於加強和改善外商投資融資租賃公司審批與管理工作的通知》), foreign investors of the foreign-funded financial leasing companies shall satisfy the following conditions:

(I) Investors who apply for establishing a financial leasing company shall be a company or enterprise or in other economic form. Foreign investors or their overseas parent companies

shall have good credit standing, be lawfully registered and conduct actual operating activities overseas.

(II) The investors shall submit to the approval authority the audited report for the latest year issued by an accounting firm, and those have assets less than liabilities as shown in the audited report shall be not qualified. Total assets of foreign investors shall not be less than US$5 million.

(III) Investors who have been in existence for less than one year shall not be qualified for the filing procedures. Overseas parent companies of qualified foreign investors which establish a financial leasing company in the name of their wholly-owned foreign subsidiaries (special purpose vehicles, or SPVs) shall not be subject to the requirement of subsisting for no less than one year.

According to the Administrative Measures on Foreign Investment in Leasing Industry (Order of the MOFCOM [2005] No.5) (《外商投資租賃業管理辦法》（商務部令[2005] 年第5號）), foreign-funded financial leasing companies shall satisfy the following conditions:

(I) The term of operation of a foreign-funded financial leasing company in the form of a limited liability company generally shall not exceed 30 years;

(II) The foreign-funded financial leasing company shall be staffed with corresponding professionals (who are equipped with necessary professional knowledge, skills and working experience in financial, trading, legal, accounting, engineering technology management and other fields as required for their duty performance and have proven track record), while the senior management (namely general managers (deputy general managers), business officers, financial officers, risk control officers and operation officers) shall have corresponding professional qualifications (which means they shall generally be holders of a bachelor's degree or above and have the professional knowledge in their respective business areas and have obtained the relevant practicing license from the competent regulatory authorities or authoritative organizations in such industry) and no less than three years of working experience (i.e. no less than three years of management experience in financial leasing companies or relevant financial institutions).

The Administrative Measures on Foreign Investment in Leasing Industry were terminated in February 2018 and were no longer applicable to new foreign-invested financial leasing companies.

According to the Notice of the General Office of the Ministry of Commerce on Enhancing and Improving the Approval and Management of Foreign-funded Financial Leasing Companies (《商務部辦公廳關於加強和改善外商投資融資租賃公司審批與管理工作的通知》), the following shall be considered for approval of the establishment of foreign-invested financial leasing companies:

(I) the name of a foreign-invested financial leasing company shall have the Chinese words " 融資租賃 " and shall not have the Chinese words " 金融租賃 ".

(II) a financial leasing company may provide guarantee in connection with its financial leasing business but shall not engage in the provision of guarantee as its major business and its company name shall not have the word of "guarantee" (擔保).

(III) the foreign investors shall disclose the information of the investors de facto as demanded and their assets out of China shall be subject to strict inspection.

(IV) no total investment is required to be specified in its joint venture contract or articles and memorandum of association and no total investment will be specified in the approval documents and license but its registered capital shall not be less than US$10 million.

(V) the investment by foreign investor(s) shall not be less than 25% of total investment.

(VI) If investment is allowed to be settled by instalments in accordance with the joint venture contract, the first instalment payable by foreign investor(s) shall not be less than 15% of its investment and shall be settled in three months from the date of the business license. Until full settlement of their investment, the foreign investors shall not have the right to make corporate decision and shall not have any interest in the company and the assets of the financial leasing company shall not be incorporated into the financial statements of the foreign investors.

(VII) the term of operation of a foreign-invested financial leasing company shall not be more than 30 years in general.

As the Company was converted from a limited liability company to a joint stock company on May 27, 2017, the above requirement on the term of operation is no longer applicable to us.

Moreover, pursuant to the Administrative Measures on the Supervision of Financial Leasing Enterprises (Shang Liu Tong Fa [2013] No.337) (《融資租賃企業監督管理辦法》(商流通發[2013]337號)) promulgated by the MOFCOM on September 18, 2013, a financial leasing enterprise shall have personnel who are equipped with professional knowledge, skills and experience in financial, trading, legal and accounting fields and have proven track record. The financial leasing enterprise shall also engage general manager, deputy general manager, risk management officer and other senior management members with at least three years of experience in financial leasing and leasing business or operation and management in financial institutions.

In addition, the General Office of the State Council promulgated the Guiding Opinion on Accelerating the Development of Financial Leasing Industry (Guo Ban Fa [2015] No.68) (《關於加快融資租賃業發展的指導意見》(國辦發[2015]68號)) (the "Guiding Opinion") on August 31, 2015. According to the Guiding Opinion, main tasks to accelerate the development of the financial leasing industry are carried out in four aspects which include the reform of its system and mechanism, development in major fields, innovation development and optimization of the industry supervision system. According to the Guiding Opinion, there is no fixed registered capital floor for the establishment of subsidiary of the financial leasing company and the financial leasing company is allowed to carry out factoring business which is related to its principal business. Private capital and independent third-party service institutions are encouraged to establish financial leasing companies and facilitate financial leasing companies in applying for business license of medical equipment or handling filing procedures.

Changes

Pursuant to the Provisional Administrative Measures on the Establishment and Change of Filing of Foreign-funded Enterprises (Order of the MOFCOM [2016] No.3 and as revised by Order of the MOFCOM 2017 No. 2 and Order of the MOFCOM [2018] No.6) (《外商投資企業設立及變更備案管理暫行辦法》(商務部令[2016]年第3號，並經商務部令2017年第2號、2018年第6號修訂)), where a foreign-invested enterprise undergoes any of the following changes, the representative designated or the agent entrusted by the foreign-invested enterprise shall, within 30 days after the occurrence of the

modification, complete the Application Form for the Filing of Changes of Foreign-invested Enterprises (《外商投資企業變更備案申報表》) (the "Application Form for Changes") and submit the same and relevant documents online through integrated management system for completing the filing procedures for the changes:

(I) Change of the basic information of the foreign-invested enterprise, including name, registered address, type of enterprise, business period, investment industry, business type, scope of business, whether it falls within the scope of tax reduction or exemption for imported equipment as prescribed by the government, registered capital, total investment, organizational structure, legal representative, and information of the ultimate de facto controller of the foreign-invested enterprise, contact person and contact method;

(II) Change of the basic information of any investors of the foreign-invested enterprise, including name, nationality/region or address (place of registration or registered address), category and number of certificate, amount of capital contribution subscribed, way of contribution, duration of capital contribution, source of capital, and investor type;

(III) Change of the basic information of any transactions regarding the merger, acquisition or establishment of the foreign-invested enterprise;

(IV) Change of the equity (shares) and cooperation interests;

(V) Merger, division and termination;

(VI) Pledge or transfer of the property or rights and interests of the foreign-invested enterprise;

(VII) Advanced recovery of investment by the foreign party to a Sino-foreign joint venture;

(VIII) Entrusted business management of a Sino-foreign joint venture.

When undergoing the filing procedures of the changes regarding merger, division, capital reduction and other matters which are subject to announcement requirement under applicable laws and regulations, an enterprise shall specify its compliance with announcement requirement.

Where any of the aforesaid changes involves the resolution of the highest authorities, the time when the resolution is made by the highest authorities of the foreign-invested enterprise shall be considered as the time of occurrence of change. As otherwise prescribed in laws and regulations with respect to the conditions for effectiveness of any changes of a foreign-invested enterprise, the time when the corresponding requirements are met shall be the time of occurrence of the changes.

Furthermore, pursuant to the Administrative Measures on the Supervision of Financial Leasing Enterprises (Shang Liu Tong Fa [2013] No.337) (《融資租賃企業監督管理辦法》(商流通發[2013]337號)), in the event of change of name, relocation to another region, increase or decrease of registered capital, change of organizational form, adjustment of ownership structure or other changes, a financial leasing enterprise shall report to the competent provincial-level counterpart of the MOFCOM in advance. A foreign-invested enterprise that undergoes the aforesaid changes shall go through approval, filing and other procedures according to relevant provisions.

A financial leasing enterprise shall, within five working days after the procedures of change of business registration, log onto the National Financial Leasing Enterprise Management Information System to modify the above information.

Business Scope of Financial Leasing

Pursuant to the Notice of the General Office of the Ministry of Commerce on Enhancing and Improving the Approval and Management of Foreign-funded Financial Leasing Companies (《商務部辦公廳關於加強和改善外商投資融資租賃公司審批與管理工作的通知》) and the Administrative Measures on the Supervision of Financial Leasing Enterprises (Shang Liu Tong Fa [2013] No.337) (《融資租賃企業監督管理辦法》(商流通發[2013]337號)), the business scope of financial leasing companies shall be as follows:

(1) Financial leasing companies may conduct financial leasing business in the form of direct leasing, sub-leasing, sale-leaseback, leveraged leasing, entrusted leasing and joint leasing under the conditions as prescribed by the relevant laws, regulations and regulatory requirements.

(2) With leasing business, such as financial leasing, as the principal business, the financial leasing companies may conduct other businesses related to the financial leasing and leasing business, such as purchase of leased properties, treatment of residual value and maintenance of leased properties, advisory and guarantee for lease transactions, transfer of account receivables to third-party organizations, acceptance of lease deposits and other business as permitted by the competent approval authority.

(3) A foreign-funded financial leasing company may operate guarantee business in relation to the lease transactions, but it shall not be the principal business and the company name may not contain the term "guarantee".

In addition, pursuant to the Administrative Measures on the Supervision of Financial Leasing Enterprises (Shang Liu Tong Fa [2013] No.337) (《融資租賃企業監督管理辦法》(商流通發[2013]337)), financial leasing enterprises shall not engage in deposits, loans, entrusted loans or other financial services. Financial leasing enterprise shall not conduct, among others, inter-bank borrowing business without the permission from relevant authorities. Financial leasing enterprises shall not carry out illegal fund-raising activities under the name of financial leasing.

The Notice of the State Council on the Wide Application of Replicable Reform Experience from the Pilot Programs in China (Shanghai) Pilot Free Trade Zone (Guo Fa [2014] No. 65) (《國務院關於推廣中國（上海）自由貿易試驗區可複製改革試點經驗的通知》(國發[2014]65號)) was promulgated on December 21, 2014 to promote certain replicable experience gained at China (Shanghai) Pilot Free Trade Zone nationwide. Pursuant to the Notice of the State Council on the Wide Application of Replicable Reform Experience from the Pilot Programs in China (Shanghai) Pilot Free Trade Zone (Guo Fa [2014] No. 65), finance leasing companies are allowed to engage in the commercial factoring services in association with their primary business. In addition, no minimum registered capital is required for the subsidiaries set up by finance leasing companies.

Major Business Qualifications and Licenses

Pursuant to the Administrative Measures on the Supervision of Financial Leasing Enterprises (Shang Liu Tong Fa [2013] No.337) (《融資租賃企業監督管理辦法》(商流通發[2013]337號)) and the Notice of the General Office of the Ministry of Commerce on Enhancing and Improving the Approval and Management of Foreign-funded Financial Leasing Companies (《商務部辦公廳關於加強和改善外商投資融資租賃公司審批與管理工作的通知》), financial leasing businesses involving foreign investment shall be filed and registered with the MOFCOM or its local counterparts.

Pursuant to the Official Replies to Relevant Issues about Medical Equipment Leasing (Guo Shi Yao Jian Shi [2004] No.20) (《關於租賃醫療器械有關問題的批覆》 (國食藥監市[2004]20號)) and the Comments in Response to Some Regulatory Issues about Medical Equipment Financial Leasing (Guo Shi Yao Jian Shi [2005] No.250) (《關於融資租賃醫療器械監管問題的答覆意見》(國食藥監市[2005]250號)) promulgated by the China Food and Drug Administration on April 15, 2004 and June 1, 2005, respectively, financial leasing of medical equipment conducted by financial leasing companies shall be categorized as business operation of medical equipment and the companies shall obtain the License for Enterprises Dealing in Medical Equipment (《醫療器械經營企業許可證》) in accordance with the Regulations on Supervision and Control of Medical Equipment (《醫療器械監督管理條例》).

In addition, pursuant to the Administrative Measures on the Supervision of Financial Leasing Enterprises (Shang Liu Tong Fa [2013] No.337) (《融資租賃企業監督管理辦法》(商流通發[2013]337號)), if the imported leased property of a financial leasing company is subject to regulation in terms of quota and license, the purchaser or owner of such leased properties shall proceed with the relevant procedures in accordance with the regulations. If a financial leasing enterprise involves foreign exchange management in the course of its business, it shall be subject to the relevant requirements of foreign exchange management in the PRC.

Restrictions on the Shareholding of Foreign Investors

Pursuant to the Notice of the General Office of the Ministry of Commerce on Enhancing and Improving the Approval and Management of Foreign-funded Financial Leasing Companies (《商務部辦公廳關於加強和改善外商投資融資租賃公司審批與管理工作的通知》), a foreign-funded financial leasing company shall only be established provided that the proportion of investment by the foreign investor(s) shall not be less than 25%.

Ordinary Regulations

Pursuant to the Administrative Measures on the Supervision of Financial Leasing Enterprises (Shang Liu Tong Fa [2013] No.337) (《融資租賃企業監督管理辦法》(商流通發[2013]337號)), the risk assets of a foreign-funded financial leasing company, which shall be determined based on the total residual value of the total assets after deducting the cash, bank deposits, PRC treasury bonds and entrusted leased assets, shall not exceed 10 times of the total net assets of the company as of the end of each financial year. The Administrative Measures on the Supervision of Financial Leasing Enterprises (Shang Liu Tong Fa [2013] No.337) (《融資租賃企業監督管理辦法》(商流通發[2013]337號)) further provide that a financial leasing company shall report the relevant data in a timely and accurate manner through the National Finance Leasing Enterprise Management Information System according to the requirement of the MOFCOM, which include the submission of the statistics and summary of its operation in the preceding quarter within 15 days after the end of each quarter, and the statistics and explanation of its operation as well as the audited financial report, accompanying with the explanatory notes, for the preceding year before April 30 every year. In addition, if the leased property to be imported by a foreign-funded financial leasing company based on the selection of the leasee is subject to regulation under specific policies such as quota or licenses, the leasee or the financial leasing company shall carry out application procedures in accordance with the relevant requirements.

Pursuant to the Notice of the General Office of the Ministry of Commerce on Enhancing and Improving the Approval and Management of Foreign-funded Financial Leasing Companies (《商務部辦公廳關於加強和改善外商投資融資租賃公司審批與管理工作的通知》), companies which had not conducted actual financial leasing business in the previous fiscal year, failed the annual inspection and

violated laws and regulations shall be ordered to rectify by the local authorities which shall report such rectification progress to the MOFCOM (the Department of Foreign Investment Administration) in a timely manner. Foreign-funded financial leasing companies shall not engage in deposit taking, extension of loans and entrusted loans and, without the permission of the relevant authorities, shall not engage in businesses such as inter-bank borrowing and equity investment. In addition, foreign-funded financial leasing companies are not allowed to provide direct or indirect financing in any forms to local government financing vehicles which undertake public welfare projects in order to effectively prevent fiscal and financial risks.

Supervision on Specified Industry and Business

Local Government

Pursuant to the Opinions of the State Council on Strengthening the Administration of Local Government Debts (Guo Fa [2014] No. 43) (《國務院關於加強地方政府性債務管理的意見》（國發[2014]43號）) promulgated by the State Council on September 21, 2014, the debt financing of local governments shall comply with the following requirements:

(1) Subject to the approval of the State Council, the governments of provinces, autonomous regions and municipalities may duly seek loans. In respect of governments at city and county level for which a loan is necessary, such loans shall be borrowed by the governments of provinces, autonomous regions and municipalities on their behalf. The governments shall only seek loans through itself or through its relevant departments instead of enterprises and institutions.

(2) Financing platform companies shall remove their government finance functions and shall not incur new government debts. The new contingent liabilities of local governments shall be strictly limited within the scope of debt guarantees in compliance with laws, and the governments shall bear relevant responsibilities in accordance with the guarantee contracts.

(3) The local governments and their subordinated departments shall not seek loans in excess of their budgets or in violation of laws. The capital injection, financial subsidy and other activities carried out by local governments for enterprises shall be in strict compliance with laws and regulations, and the local governments shall not provide guarantees in any form for the debts of any enterprises or individuals in violation with laws. In addition, the local governments shall not illegally intervene in the normal business activities of financial institutions and shall not force financial institutions to provide government financing.

(4) Credit limit management shall be implemented to control the size of local government debts. Local governments shall not seek loans in an amount exceeding the approved limit. Where the local governments seek loans within the local limit approved by the State Council, such local governments must report to the NPC at their respective levels or their standing committees for approval. The loans granted to local governments shall only be used for capital expenditure of public welfare purposes and replacement of certain existing debts, rather than for recurring expenses. Local governments shall include the balance of the general debts into the general public budget management and the balance of the special debts into the government fund budget management. In addition, expenses such as financial subsidies incurred in the government and social cooperative capital projects shall be included into the corresponding government budget management by their respective nature.

Health Care

Pursuant to the Official Replies to Relevant Issues about Medical Equipment Leasing (Guo Shi Yao Jian Shi [2004] No.20) (《關於租賃醫療器械有關問題的批覆》(國食藥監市[2004]20號)) and the Comments in Response to Some Regulatory Issues about Medical Equipment Financial Leasing (Guo Shi Yao Jian Shi [2005] No.250) (《關於融資租賃醫療 器械監管問題的答覆意見》(國食藥監市[2005]250號)) promulgated by the China Food and Drug Administration on April 15, 2004 and June 1, 2005, respectively, the financial leasing of medical equipment conducted by financial leasing companies shall be categorized as operation of medical equipment and the License for Enterprises Dealing in Medical Equipment (《醫療器械經營企業許可證》) shall be obtained in accordance with the Regulations on Supervision and Control of Medical Equipment (《醫療器械監督管理條例》).

Pursuant to the Regulations on Supervision and Control of Medical Equipment (Order of the State Council No.680) (《醫療器械監督管理條例》(國務院令第680號)) and the Administrative Measures on the Business Operation and Supervision of Medical Equipment (Order of the CFDA No.8 and as revised by Order of the CFDA No.37) (《醫療器械經營監督管理辦法》(國家食品藥品監督管理總局令第8號，並經國家食品藥品監督管理總局令第37號修訂)), a license or filing is not required for operation of category one medical equipment as they are low-risk medical equipment that normal administration is able to ensure their security and effectiveness; filing is required for operation of category two medical equipment for management purpose as they are medium-risk medical equipment that strict control and management are required to ensure their security and effectiveness; and a license is required for operation of category three medical equipment for management purpose as they are high-risk equipment that strict control and management by means of special measures are required to ensure their security and effectiveness. A company operating category two medical equipment shall file with the municipal-level CFDA bureau in the place where it is located and shall provide information evidencing that it has a place of operation and storage conditions compatible with the size and scope of operation and has quality control system, and division or personnel compatible with the medical equipment so operated. A company operating category three medical equipment shall apply to the municipal-level CFDA bureau in the place where it is located for an operating license and shall provide information evidencing that it has a place of operation and storage conditions compatible with the size and scope of operation and has quality control system, and division or personnel compatible with the medical equipment so operated.

Internal Control

In accordance with the Administrative Measures on the Supervision of Financial Leasing Enterprises (Shang Liu Tong Fa [2013] No.337) (《融資租賃企業監督管理辦法》(商流通發[2013]337號)), a financial leasing company shall follow the internal control rules below:

(I) it shall established a sound financial and accounting system in accordance with the relevant regulations to provide a true record and reflection of its financial position, results of operation and cash flow;

(II) it shall establish an optimized internal risk control system, a sound classification management system for risk assets, a credit appraisal system for lessees, a post recovery and disposal system as well as a risk alert mechanism;

(III) in order to control and reduce risks, it shall conduct proper investigations into the financial leasing projects, adequately consider and evaluate the ability of lessees to make continuous

rental payments, adopt various methods to lower default risks and enhance inspections on financial leasing projects and subsequent management;

(IV) it shall establish a management system for related-party transactions. If the lessee is a related party, the persons in connection with the related party transaction shall abstain from voting or making decisions for such transaction. When procuring equipment from a related party, the settlement price for the equipment shall not be far less than the sales price the manufacturer offers to third parties or the price of a similar set of equipment;

(V) it shall manage its assets under entrusted lease and assets under sublease separately and keep separate accounts; a financial leasing company shall enter into appropriate agreements with the lessee in respect of guarantee and insurance related to the financial leasing business in order to maintain the safety of transactions;

(VI) it shall enhance management on major lessees and control the proportion of businesses with individual lessees and lessees who are related parties so as to prevent and diversify operational risks;

(VII) it shall legally proceed with the relevant registration procedures for any leased property whose ownership shall be registered in accordance with the PRC laws; if the leased property falls into the types of property that are not required to be registered, it is advised to proceed with the registration in a system designated by the competent department of the MOFCOM and clarify the ownership of the leased property;

(VIII) the subject matter of leaseback shall be property that is able to perform economic functions and produce continuous economy of scale. When conducting leaseback business, it shall enhance risk prevention and control. Before signing leaseback agreements, it shall review the evidence materials such as invoices, procurement contracts, registration certificates, payment vouchers and title transfer documents of the leased property in order to ascertain the titles of the subject matter. It shall duly consider and objectively assess value of the leaseback asset, determine the purchase price of the subject matter with reference to a reasonable pricing basis without violating the accounting standards, and make no overpriced purchase;

(IX) it shall not accept any property to which a lessee has no title, or on which any mortgage has been created, or which has been sealed up or seized by any judicial organ, or whose ownership has any other defects as the subject matter of a leaseback transaction;

(X) the risk assets of a financial leasing enterprise, which are determined by the total amount of residual assets after deducting cash, bank deposits, PRC treasury bonds and entrusted leased assets from the total assets of such enterprise, shall generally not exceed ten times of the total amount of net assets.

Special Fiscal and Tax Policies

Business Tax and VAT

Pursuant to the Notice of State Administration of Taxation on Levying Turnover Tax on Financial Leasing Business (Letter of SAT [2000] No.514) (《國家税務總局關於融資租賃業務徵收流轉税問題的通知》(國税函[2000]514號)) promulgated by the SAT on July 7, 2000, the

financial leasing business conducted by entities approved by the PBOC shall be levied business tax according to the Provisional Regulations on Business Tax (《營業税暫行條例》) and no VAT shall be levied, whether or not the ownership of the leased goods has been transferred to the lessee. For the same business conducted by other entities, VAT rather than business tax shall be levied if the ownership of the leasing goods has been transferred to the lessee; while business tax rather than VAT shall be levied if the ownership of the leasing goods has not been transferred to the lessee. Pursuant to the Supplemental Notice of State Administration of Taxation on Levying Turnover Tax on Financial Leasing Business (Letter of SAT [2000] No.909) (《國家税務總局關於融資租賃業務徵收流轉税問題的補充通知》(國税函[2000]909號)) promulgated by the SAT on November 15, 2000, the Notice of State Administration of Taxation on Levying Turnover Tax on Financial Leasing Business (《國家税務總局關 於融資租賃業務徵收流轉税問題的通知》) shall be applicable to the financial leasing business conducted by foreign-invested enterprises and foreign enterprises approved by Ministry of Foreign Trade and Economic Cooperation.

Pursuant to the Notice of Ministry of Finance and State Administration of Taxation on the Full Implementation of Pilot Program for Transition from Business Tax to Value-added Tax (Cai Shui [2016] No.36) (《財政部、國家税務總局關於全面推開營業税改徵增值税試點的通知》(財税[2016]36號)) jointly promulgated by the MOF and the SAT on March 23, 2016, all taxpayers of business tax engaged in the construction industry, the real estate industry, the financial industry and the life service industry shall be included in the scope of the pilot program with regard to the transition from business tax to VAT. As a kind of modern services, financial leasing services refer to leasing activities characterized by financing nature and transfer of ownership. The lessor acquires the tangible movable property or immovable property according to the conditions such as specifications, models and functions as required by the lessee and leases such property to the lessee. During the contract term, the lessor shall have the ownership of the leased property and the lessee shall have the right of use only. Upon the expiry of the contract term and the settlement of the rent, the lessee shall have the right to acquire the leased property at the residual value in order to obtain the ownership. Whether the lessor sells the leased property to the lessee, such leasing activity is categorized as financial leasing. Sale-and-leasebacks of financing nature shall not be subject to any VAT applicable to modern services.

Pursuant to the Decision of the State Council to Terminate the Provisional Regulations on Business Tax of the PRC and Amend the Interim Regulation on Value-Added Tax of the PRC (Order of the State Council No.691) (《關於廢止<中華人民共和國營業税暫行條例>和修改<中華人民共和國增值税暫行條例>的決定》(國務院令第691號)) promulgated by the State Council on November 19, 2017, the Provisional Regulations on Business Tax (《營業税暫行條例》) was terminated.

Stamp Duty on Financial Leasing Contract

Pursuant to the Notice of the MOF and the State Administration of Taxation on the Stamp Duty Policy regarding Financial Leasing Contracts (Cai Shui [2015] No.144) (《財政部、國家税務總局關於融資租賃合同有關印花税政策的通知》(財税[2015]144號)) promulgated by the MOF and the SAT on December 24, 2015, for finance lease contracts on financial leasing business (including leaseback transactions for financing purpose), the stamp duty shall be calculated at the rate of 0.005% according to the taxable item "loan contract" based on the total lease indicated in the contracts. For the sales contracts between the lessor and lessee on leaseback financing business, the stamp duty shall be exempted.

Export Tax Refund Policy on Goods under Financial Leasing

Pursuant to the Notice of the MOF, the General Administration of Customs and the SAT on the Implementation of National Pilot Program of Export Tax Refund Policy on Goods under Financial Leases (Cai Shui [2014] No.62) (《財政部、海關總署、國家税務總局關於在全國開展融資租賃貨物出口退税政策試點的通知》（財税[2014]62號）) jointly promulgated by the MOF, the General Administration of Customs and the SAT on September 1, 2014, where a financial leasing enterprise, financial leasing company or its subsidiary (the "Lessor under Financial Lease") leases goods to an overseas lessee by means of financial leasing for a lease term of no less than five years (inclusive), and such goods which are sent away from the PRC after customs declaration, a trial implementation of export tax refund policies on VAT or consumption tax shall be conducted. Where maritime engineering structures that are purchased by the Lessor under Financial Lease and leased to a domestic offshore petroleum and natural gas exploitation enterprise by means of financial leasing for a lease term no less than five years (inclusive), such maritime engineering structures shall be deemed as being exported, and the trial implementation of export tax refund policies on VAT and consumption tax shall be conducted. However, the above exported products and maritime engineering structures under financial leases do not include imported products subject to tax reduction or exemption by customs during the regulation period. These provisions have been implemented since October 1, 2014. In respect of exported products under financial leases, the tax refund shall be based on the date of the tax refund voucher. In respect of maritime engineering structures under financial leases, the tax refund shall be based on the date of the voucher issued by the Lessor under Financial Lease upon receiving the down payment.

In accordance with the Notice of the MOF, the General Administration of Customs and the SAT on Issues concerning the Export Tax Refund Policies for Goods under Finance Leases (Cai Shui [2016] No. 87) (《財政部、海關總署、國家税務總局關於融資租賃貨物出口退税政策有關問題的通知》(財税[2016]87號)) jointly promulgated by the MOF, the General Administration of Customs and the SAT on August 2, 2016, "financial leasing enterprises, financial leasing companies and their subsidiaries" specified in the Notice of the MOF, the General Administration of Customs and the SAT on the Implementation of National Pilot Program of Export Tax Refund Policy on Goods under Financial Leases (Cai Shui [2014] No. 62) (《財政部、海關總署、國家税務總局關於在全國開展融資租賃貨物出口退税政策試點的通知》（財税[2014]62號）) shall include financial leasing enterprises, financial leasing companies and subsidiaries established by the aforesaid enterprises and companies. A financial leasing enterprise refers to a foreign-invested financial leasing enterprise established upon the approval of the MOFCOM, a domestic-funded financial leasing enterprise established as a pilot financing business upon the joint approval of the MOFCOM and the SAT or a financial leasing company established upon the approval of provincial commercial competent authorities under the authorization of the MOFCOM and National Economic and Technological Development Zone. A financial leasing company refers to a financial leasing company established upon the approval of the CBRC.

Preferential Tax Treatments on the Sale of Assets by Lessees under Sale-leaseback

In accordance with the Announcement of the SAT on Tax Issues Concerning the Sale of Assets by Lessees under Financial Sale-leaseback (Order of the SAT [2010] No. 13) (《國家税務總局關於融資性售後回租業務中承租方出售資產行為有關税收問題的公告》(國家税務總局2010年第13號)) promulgated by the SAT on September 8, 2010, "financial sale-leaseback" is defined as the business in which a lessee for the purpose of financing sell its assets to an enterprise which has been approved to engage in financial leasing business and then lease back such assets sold from such enterprise. The lessee under financial sale-leaseback may enjoy the following preferential tax treatments: (i) no VAT

and business tax shall be imposed on the sale of assets by the lessees in the course of financial sale-leaseback business; and (ii) the sale of assets by the lessees in the course of financial sale-leaseback business shall not be recognized as gains from sale and the depreciation of the assets under finance leases shall be made based upon the original carrying value before the sale of the assets by the lessees. The financing interest paid by the lessee during the finance lease period shall be deducted as financial costs before the payment of enterprise income tax. These regulations became effective on October 1, 2010. Tax levied previously without applying the foregoing provisions shall be refunded.

Accounting Policy regarding Financial Leasing

The MOF promulgated and amended the Accounting Standards for Enterprises No.21 – Leases (Cai Kuai [2018] No. 35) (《企業會計準則第21號 — 租賃》(財會[2018]35號)) (the "Standards") on February 15, 2006 and December 7, 2018, respectively, to regulate the accounting and information disclosure regarding financial leasing and operating leasing.

Under the Standards, a lease refers to an agreement to transfer the use right of an asset to another party for a specified period in return of a rental payment. The Standards are not applicable to the acquisition of copyrights, such as films, videos, scripts and writings, and patents through license agreement by lessees, land use rights by means of grant, allocation or transfer, the licensing of intellectual property rights granted by lessor, the leasing of extraction or use of minerals, petroleum, natural gas and other similar non-renewable energy, the leasing biological assets by lessees, the concession agreements for the construction and operation of public infrastructure by means of transfer of construction and operation. ***[Deloitte team to confirm]***

In respect to finance leases, the Standards require that the lessor and the lessee shall classify a lease into a finance lease or operating lease at the commencement of the lease. The Standards also set out factors to be considered in such classification. A finance lease refers to a lease that substantially transfers all the risks and rewards of ownership of the assets, and the ownership of which may be or may not be transferred eventually. The Standards state detailed provisions, specifying accounting treatments of financial leasing and operating leasing which are applicable to the lessor and the lessee. The lessor and the lessee are also required to comply with certain disclosure requirements, stating that the notes to their balance sheet shall specify the disclosure of leasing transactions. In addition, they are required to disclose the information of each sale-leaseback transaction and major provisions of such sale-leaseback contracts.

Import and Export of Goods

The State Council promulgated the Administrative Regulation on Import and Export of Goods (Order of the State Council No.332) (《中華人民共和國貨物進出口管理條例》(國務院令第332號)) (the "Administrative Regulation") on December 10, 2001 to standardize the administration over the import and export of goods, maintain the order of import and export of goods and promote a healthy development of foreign trade. Under the Administrative Regulation, a license shall be issued to the import of goods which are subject to the automatic import licensing administration. When importing goods under the automatic import license administration, the import business operators shall, prior to handling the formalities of customs declaration, file an application with the Foreign Trade Department under the State Council or relevant economic administration department under the State Council for obtaining an automatic import license.

The MOFCOM and General Administration of Customs jointly promulgated the Administrative Measures on Automatic Import Licensing of Goods (Order of the MOFCOM and the General

Administration of Customs [2004] No 26) (《貨物自動進口許可管理辦法》(商務部、海關總署令2004年第26號)) on November 10, 2004, which was partly revised by the Decision of the MOFCOM on Amending Certain Regulations (2018) (《商務部關於修改部分規章的決定（2018）》) promulgated by the MOFCOM on November 9, 2018, to effectively regulate the foreign trade operators and other entities engaging in the import of goods.

In accordance with the Measures on the Administration of the Automatic Import Licensing for Goods (Order of the MOFCOM and the General Administration of Customs [2004] No. 26) (《貨物自動進口許可管理辦法》(商務部、海關總署令2004年第26號)), a consignee (including the importer and user) shall, when importing the goods which are subject to the automatic import license administration, file an application for automatic import license with the local or corresponding licensing authorities and obtain an automatic import license prior to handling the formalities of customs declaration. The inspection and approval formalities shall be completed upon the affixing of a special seal of automatic import license. The bank shall handle the formalities on foreign exchange selling and payment according to the automatic import licenses.

Finance Lease Contract

Contract Law

The National People's Congress promulgated the Contract Law of the People's Republic of China (Order of the President of the PRC No.15) (《中華人民共和國合同法》（中華人民共和國主席令第十五號)) (the "Contract Law") on March 15, 1993 to regulate the civil contractual relations among natural persons, legal persons and other organizations. Chapter 14 of the Contract Law sets out mandatory provisions for finance lease contacts. In addition, the Interpretation of the Supreme People's Court on Issues Concerning the Application of Law in the Trail of Cases Involving Disputes over Finance Lease Contracts (Fa Shi [2014] No.3) (《最高人民法院關於審理融資租賃合同糾紛案件適用法律問題的解釋》（法釋〔2014〕3號)) (the "Interpretation") was adopted at the 1,597th meeting of the Judicial Committee of the Supreme People's Court on November 25, 2013 to further regulate the legal relations of finance lease contracts.

Pursuant to the Contract Law and the Interpretation, a finance lease contract shall be in written form and shall include various terms such as name, quantity, specification, technical performance, inspection methods, lease term, rental components, payment terms, method and currency of the leased property as well as ownership of the leased property upon expiration of the lease. In accordance with laws and administrative regulations, the operation and usage of leased property by the lessee shall be subject to administrative approval. The People's Court shall not determine that finance lease contract is void simply on the grounds that the lessor fails to obtain an administrative approval.

In accordance with the finance lease contract, the lessor shall enter in to a sales and purchase contract based on the lessee's selections in respect of the seller and leased property, and the seller shall deliver the leased property to the lessee as agreed. The lessee has the rights of a buyer in relation to the leased property. Without the consent of the lessee, the lessor may not modify any particulars related to the lessee under the sales and purchase contract which has been entered into based on the lessee's selections in respect of the seller and leased property.

In respect of the usage and maintenance of the leased property, the lessee shall take due care of the leased property and use it properly. The lessee has an obligation to maintain and repair the leased property during the possession of the same. The lessor shall not be liable for any injury to the body or damage to the property of a third party caused by the leased property during the possession of the same

by the lessee. However, the ownership of the leased property vests in the lessor. If the lessee becomes bankrupt, the leased property does not become part of the bankrupt property. If the leased property fails to meet the requirements or is not appropriate for the proposed purpose, the lessor shall not be liable, unless the lessee selected such leased property in reliance on the technical ability of the lessor or the lessor interfered in the selection of the leased property.

During the period when the leased property is possessed by the lessee, the risk of damage to or destruction of the leased property shall be assumed by the lessee. If the lessee is requested to pay the remaining rentals by the lessor, the People's Court shall accept such request, unless otherwise agreed by the parties or provided by the laws.

The lessor and the lessee may negotiate the vesting of the ownership of leased property upon expiration of the lease. If there is no agreement on the vesting of ownership of leased property upon expiration, or if such agreement is not clear, or if the vesting of ownership cannot be determined in accordance with the Contract Law, the ownership of the leased property shall be vested in the lessor. In the event that the parties have agreed that the ownership of the leased property shall be vested in the lessee upon expiration of the lease, and the lessee has already paid the majority of the lease payments but is unable to pay the outstanding balance, when the lessor terminates the contract and recovers the leased property on such ground, the lessee may request a partial refund given that the value of the leased property recovered exceeds the outstanding balance and any other expenses owed by the lessee.

The rental under the finance lease contract shall, unless otherwise agreed upon by the parties, be based on the substantial part or all of the cost for the purchase of the leased property as well as the reasonable profit margin for the lessor.

Where the lessee or the user of leased property assigns the leased property or establishes any other property right in the leased property without the consent of the lessor, and a third party acquires the ownership of or any other property right in the leased property in accordance with the provision of Article 106 of the Property Law, but the lessor claims that the third party does not have such property right, the People's Court shall not accept such claim, except any of the following circumstances: (i) the lessor has placed a mark at a prominent position on the leased property so that the third party, when dealing with the lessee, knows, or ought to know, that such property is a leased property; (ii) the lessor has authorized the lessee to pledge the leased property to the lessor and such pledge has been registered with the competent authorities; (iii) the third party, when dealing with the lessee, has failed to conduct a search for financial leasing transactions with the competent authorities in accordance with laws, administrative regulations or the requirements of industrial or regional authorities; and (iv) the lessor has evidences proving that a third party knows, or ought to know, the subject matter of the transaction is a leased property.

Regulations relating to Commercial Factoring Business

The MOFCOM promulgated the Notice of the Ministry of Commerce on Issues Concerning Pilot Program of Commercial Factoring (Letter of the MOFCOM [2012] No.419) (《商務部關於商業保理試點有關工作的通知》(商資函[2012]419號)) (the "Notice") on June 27, 2012, pursuant to which, enterprises may provide trade financing, sales account management, customer credit investigation and evaluation, accounts receivables management and collection, credit risk guarantee and other services through commercial factoring pilot program in Binhai New Area, Tianjin and Pudong New Area, Shanghai.

The MOFCOM promulgated the Reply of the Ministry of Commerce on the Implementation of the Pilot Program of Commercial Factoring (Letter of the MOFCOM [2012] No.919) (《商務部關於商業保理試點實施方案的覆函》(商資函[2012]919號)) on October 9, 2012, to specify that a commercial factoring company shall have more than two senior management personnel who have management experience in financial sector and no unfavorable credit record and foreign investors or its affiliated entities who have the track record and experience in factoring business. When commencing its business, the risk assets of a commercial factoring company shall not exceed ten times of its net assets. A commercial factoring company shall complete registration of transfer of accounts receivables through the system for publicizing the registration of pledge receivables established by the Credit Information Center of the PBOC to publicize its status of ownership of accounts receivables.

Main Laws and Regulations

The Administrative Measures on the Foreign Investment in the Leasing Industry (Order of the MOFCOM [2005] No.5) (《外商投資租賃業管理辦法》(商務部令[2005]年第5號)), which was abolished in February 2018.

The Provisional Administrative Measures on the Establishment and Change of Filing of Foreign-invested Enterprises (Order of the MOFCOM [2016] No.3 and as revised by Orders of the MOFCOM 2017 No. 2 and 2018 No.6) (《外商投資企業設立及變更備案管理暫行辦法》(商務部令[2016]年第3號，並經商務部令2017年第2號、2018年第6號修訂)).

Administrative Measures on Financial Leasing Enterprises (Shang Liu Tong Fa [2013] No.337) (《融資租賃企業監督管理辦法》(商流通發[2013]337號))

Regulations on Supervision and Control of Medical Equipment (Order of the State Council No.680) (《醫療器械監督管理條例》(國務院令第680號)), Administrative Measures on the Business Operation and Supervision of Medical Equipment (Order of the CFDA No.8 and as revised by Order of the CFDA No.37) (《醫療器械經營監督管理辦法》 (國家食品藥品監督管理總局令第8號，並經國家食品藥品監督管理總局令第37號修訂)), Notice on the Regulations on Production and Supervision and Control of Medical Devices Equipment and the Administrative Measures on the Business Operation and Supervision of Medical Devices Equipment issued by CFDA (Shi Yao Jian Xie Jian [2014] No.143) (《國家食品藥品監督管理總局關於實施<醫療器械生產監督管理辦法>和<醫療器械經營監督管理辦法>有關事項的通知》(食藥監械監[2014]143號)), Official Replies to Relevant Issues about Medical Equipment Leasing (Guo Shi Yao Jian Shi [2004] No.20) (《關於租賃醫療器械有關問題的批覆》) (國食藥監市[2004]20號)) and Comments on Response to Some Regulatory Issues about Medical Equipment Financial Leasing (Guo Shi Yao Jian Shi [2005] No.250) (《關於融資租賃醫療器械監管問題的答覆意見》)(國食藥監市[2005]250號))

Announcement of SAT on Tax Issues Concerning the Sale of Assets by Lessees under Financial Sale-leaseback (SAT [2010] No.13) (《國家税務總局關於融資性售後回租業務中承租方出售資產行為有關税收問題的公告》(國家税務總局[2010]年第13號))

Notice of MOF and SAT on the Stamp Duty Policy regarding Financial Leasing Contracts (Cai Shui [2015] No.144) (《財政部、國家税務總局關於融資租賃合同有關印花税政策的通知》(財税[2015]144號))

Notice of the MOF, the General Administration of Customs and SAT on the Implementation of National Pilot Program of Export Tax Refund Policy on Goods under Financial Leases (Cai Shui [2014] No.62) (《財政部、海關總署、國家税務總局關於在全國開展融資租賃貨物出口退税政策試點的通知》(財税[2014]62號))

Notice of the Ministry of Finance and State Administration of Taxation on the Implementation of Pilot Program of Levying Value-added Tax in Lieu of Business Tax (Cai Shui [2016] No.36) (《財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知》(財稅[2016]36號))

Notice of the State Administration of Taxation on the Levying Turnover Tax on the Financial Lease Business (Letter of SAT [2000] No.514) (《國家稅務總局關於融資租賃業務徵收流轉稅問題的通知》(國稅函[2000]514號)) and Supplemental Notice of the State Administration of Taxation on the Levying Turnover Tax on the Financial Lease Business (Letter of SAT [2000] No.909) (《國家稅務總局關於融資租賃業務徵收流轉稅問題的補充通知》(國稅函[2000]909號))

Notice of the Ministry of Commerce on Issues Concerning Pilot Program of Commercial Factoring (Letter of the MOFCOM [2012] No.419) (《商務部關於商業保理試點有關工作的通知》(商資函[2012]419號))

Reply of the Ministry of Commerce on the Implementation of the Pilot Program of Commercial Factoring (Letter of the MOFCOM [2012] No.919) (《商務部關於商業保理試點實施方案的覆函》(商資函[2012]919號))

Notice of the MOFCOM on Changes in Regulation of Financial Leasing, Factoring and Pawn Companies (Shang Ban Liu Tong Han [2018] No.165) (《商務部辦公廳關於融資租賃公司、商業保理公司和典當行管理職責調整有關事宜的通知》(商辦流通函[2018]165號)

Letter from the CBIRC regarding the Division of Regulation of Three Categories of Institutions After Changes in Regulatory System (Yin Bao Jian Han [2018] No.25) (《關於商請做好三類機構職責轉隸後相關工作的函》(銀保監函[2018]25號))

Contract Law of the People's Republic of China (Order of the President of the PRC No.15) (《中華人民共和國合同法》(中華人民共和國主席令第十五號))

Accounting Standards for Enterprises No.21 – Leases (Cai Kuai [2018] No.35) (《企業會計準則第21號—租賃》(財會[2018]35號))

Administrative Regulation on Import and Export of Goods of the People's Republic of China (Order of the State Council No.332) (《中華人民共和國貨物進出口管理條例》(國務院令第332號))

Administrative Measures on Automatic Import Licensing of Goods (Order of the MOFCOM and General Administration of Customs [2004] No.26) (《貨物自動進口許可管理辦法》(商務部、海關總署令[2004]第26號))

THE IRISH REGULATORY ENVIRONMENT

The leasing of aircraft on an operating lease basis is not a regulated activity in Ireland. For all Irish companies, including aircraft leasing companies, the principal legislation governing the incorporation of companies in Ireland is the Companies Act 2014 (the "Irish Companies Act"). The Irish Companies Act provides for the incorporation and regulation of companies incorporated thereunder.

The Irish Companies Act became operative on June 1, 2015. The principal changes under the Irish Companies Act relate to the private company limited by shares (the "private company"), which is the most common type of company in Ireland. From June 1, 2015, there are two types of private company, which replace the previous single form. These are: (i) a private company limited by shares ("LTD"); and (ii) a designated activity company ("DAC").

Company Limited by Shares – LTD

The LTD is the new model form of private company limited by shares. It has the same unlimited legal capacity as an individual. It may have just one director but, in that case, must have a separate company secretary. It can adopt written procedures instead of holding an annual general meeting of shareholders (AGM). It has a one-document constitution and its internal regulations are set out in simplified form in that constitution. Its name must end with "Limited" or "Ltd." An LTD is prohibited from offering securities (equity or debt) to the public.

Designated Activity Company – DAC

While technically a new type of company, the DAC is similar in many ways to the private company formed under the old Companies Acts (Companies Acts 1963 – 2013). A key distinction between a DAC and an LTD is the continued existence of an objects clause in the DAC constitution. A DAC may be a suitable vehicle where an objects clause is needed (e.g. to restrict the corporate capacity of a joint-venture vehicle) or for companies listing debt securities on a stock exchange. A DAC requires two directors. It must convene an AGM unless it is a single member company, in which case this requirement can be dispensed with. Its name must end with "designated activity company" or "DAC."

The following principles are relevant to Irish incorporated companies engaged in the leasing of aircraft on an operating lease basis:

- basic principles of Irish corporate law;
- Irish tax and stamp duty;
- Irish law insolvency procedures; and
- other Irish law issues.

Basic Principles of Irish Company Law

Corporate Structure

Haitong UT Leasing Irish Holding Corporation Limited, Haitong Unitrust No. 1 Limited, Haitong Unitrust No.2 Limited, Haitong Unitrust No.3 Limited, Haitong Unitrust No.4 Limited, Haitong Unitrust No.5 Limited, Haitong Unitrust No.6 Limited and Haitong UT Leasing Irish Finance Limited have been incorporated as a private company limited by shares and are bound by the following restrictions:

- the right to transfer shares is restricted;
- the number of shareholders is limited to 149; and
- any offer of shares, debentures or other securities to the public is prohibited, subject to certain exceptions.

The primary characteristic of a company which is limited by shares is that the liability of the shareholders to contribute to the company's debts is limited to the amount (if any) which remains unpaid on their shares. Accordingly, therefore, if all of a company's issued shares are fully paid, the shareholders cannot be then held liable personally for the company's debts. In certain circumstances,

the Irish courts have, however, chosen to ignore the separate corporate existence of companies, for instance:

- where that company has been formed for some fraudulent, illegal or improper purpose or for the evasion of legal obligations;
- (in the context of group companies) where a related company was clearly a mere constituent of a larger legal entity, and where they effectively carried on business as a "single economic entity" or where the acts of one company may be treated as those of another;
- where to do otherwise would allow a controller to avoid an existing legal obligation; and
- where it has been used to avoid a statutory obligation.

Share Capital

There is no minimum share capital requirements for an Irish private company limited by shares, although there must be at least one share in issue, i.e., only one shareholder is required.

Each company with a share capital has an authorized share capital amount which is stated in the memorandum and articles of the company with one exception. An LTD can, if it chooses, not have an authorized share capital figure. Where an authorized share capital is used, the company may not issue shares greater than this authorized capital, which can be increased by the resolution of the shareholder.

The authorized share capital can be denominated in any currency and can be as large or small as the company desires depending on how many shareholders are proposed. The shares' nominal value often bears little relationship to their actual worth.

Constitutional Documents of an Irish LTD Company

Under the Irish Companies Act, an LTD has a simplified single-document constitution. Significantly, an LTD's constitution does not have an objects clause and it will therefore have unlimited corporate capacity.

In addition, any Irish company will have a certificate of incorporation, which confirms the date on which the company was incorporated.

Irish Tax and Stamp Duty

Ireland's corporation tax system includes the following:

- 12.5% corporation tax rate on trading income. The 12.5% Irish corporation tax rate is available to all companies that are considered to be "trading" in Ireland. In general, a leasing company will be "trading" where it has suitably experienced directors and employees in Ireland who are actively engaged in leasing or lease management activities or has engaged an Irish lease manager;
- extensive network of double taxation agreements;
- no withholding tax on lease rentals;

- 20% withholding tax on interest payments, though there are number of broad domestic exemptions from this Irish withholding tax. Broadly, an exemption from Irish interest withholding tax applies where interest is paid by an Irish tax resident company:
  - to a company that is resident for tax purposes in any member state of the European Union (other than Ireland) or any country with which Ireland has signed a double taxation treaty, in each case which imposes a tax that generally applies to interest receivable in that country by companies from sources outside that country. This exemption does not apply if the interest is paid to the receiving company in connection with a trade or business carried on by it in Ireland through a branch or agency; and
  - where interest is paid on securities which are listed on a recognized stock exchange and certain other conditions are satisfied.
- no Irish Value Added Tax on lease rentals in most cross-border aircraft financing transactions; and
- no stamp duty payable on instruments for the sale or transfer of aircraft or any interest therein; in addition no stamp duty is payable in respect of a lease agreement for an aircraft. Security agreements which may be entered into in connection with the financing of an aircraft are not subject to Irish stamp duty, regardless of the location of the aircraft.

Irish Law Insolvency Procedures

Liquidation

Liquidation is the statutory process by which an Irish company is dissolved or wound-up. There are three methods of winding up a company by way of liquidation:

- members' voluntary winding up;
- creditors' voluntary winding up; and
- compulsory court winding up.

Members' or Creditors' Voluntary Winding Up

In a members' voluntary winding up or a creditors' voluntary winding up the process is initiated by the directors and shareholders of the company. However, in order to initiate a members voluntary winding up the company must be solvent which means that it must be able to pay its debts in full within one year of the commencement of the winding up.

Compulsory Court Winding Up

A compulsory court winding up will arise where the Irish High Court is petitioned by a creditor, contributor or the company itself to have the company compulsorily wound up. Where the court is of the view that the company should be wound up it will issue such an order and appoint a liquidator for the purposes of effecting the winding up and realizing the assets. Under a compulsory court winding up the liquidator's powers are subject to the control of the court.

The role and function of a liquidator in both a voluntary and court winding up, is to realize or liquidate the assets of a company with a view to satisfying in whole or in part all creditors' claims and

wind up the company. Following the accumulation of all the assets of the company in a winding up, the liquidator has a duty to ensure distribution of the assets of the company to its creditors. The order of payment is as follows:

- remuneration, costs and expenses of an examiner (if appointed);
- secured creditors pursuant to a fixed charge;
- expenses certified by an examiner;
- the liquidator's expenses of the winding up;
- preferential creditors to include taxation/revenue payments and social payments due to employees;
- secured creditors pursuant to a floating charge;
- unsecured creditors;
- subordinated creditors; and
- shareholders.

In collecting in the assets of the insolvent company, the liquidator may invoke certain statutory provisions to have transactions entered into by the company set aside. Such provisions include:

- the right to set aside contracts and other arrangements (including guarantees and security documents) where the dominant intention of such arrangements is to prefer one creditor over the others. This right may only be exercised where the company is wound-up within six months of entering into the arrangements. This period is extended to two years for certain connected parties;
- the right to have arrangements entered into by the company set aside where they constitute a fraud on the company, its creditors or members. There are no time limits for the exercise of this power;
- the right to disclaim onerous property including unprofitable contracts. This right must be exercised within 12 months of the commencement of the liquidation proceedings or, if later, the date on which the liquidator becomes aware of the property; and
- the right to have a floating charge set aside if entered into within the 12 month period prior to the commencement of the liquidation if the company was insolvent at the time. Any invalidity of the charge will not extend to secured obligations which were advanced or paid on or after the charge.

Examinership

Examinership is a corporate rescue/bankruptcy process designed to facilitate the survival of a company and the whole or any part of its undertaking through the appointment of an examiner and the formulation by the examiner of proposals for a compromise or scheme of arrangement. The process is similar to that of Chapter 11 in the United States. The examination process provides for an automatic stay or temporary relief from the claims of creditors including secured creditors. The examination

process is a Court process rather than a voluntary process. It is initiated by a petition on the application of the company, the directors of the company, a creditor of the company or members of the company having not less than 1/10th of the paid up capital of the company having voting rights. In presenting the petition, it is necessary to show that the company is or is likely to be unable to pay its debts, no order has been made for the winding up of the company, and no resolution of the company has been passed to wind up the company.

The court will only make an order appointing an examiner if it is satisfied that there is a reasonable prospect of the survival of the company and the whole or any part of its undertaken as a growing concern. The petition to the High Court must be accompanied by a report on the company prepared by an independent accountant (the accountant can be either the auditor of the company or a person who is qualified to be appointed as an examiner of the company). The report must contain an opinion of the independent accountant as to the prospects for survival of the company and (if applicable) how its affairs can be restructured to ensure its survival.

When the court has appointed an examiner the company will be protected by the court for an initial period of 70 days. This may be extended by a further 30 days to facilitate the preparation of proposals for a compromise or scheme of arrangements by the examiner, and the period may be further extended for such period as the Court considers necessary to enable it to make a decision on any proposed scheme. During this protection period no proceedings may be commenced against the company, no execution may be made against the company's assets and no secured creditor may enforce its rights under its security (any exercise of rights of set-off is permitted).

Other Irish Law Issues

Duties of Directors

The duties of directors of an Irish company originate from case law, legislation and related rules and codes. Some of the principal duties of directors include:

- to ensure that the company complies with the Irish Companies Act;
- to act in good faith in what the director considers to be in the best interests of the company;
- to act honestly and responsibly in relation to the conduct of the affairs of the company;
- to attend board meetings with reasonable regularity;
- to exercise such skill and care as could reasonably be expected of the director given his knowledge and experience, and the circumstances;
- to avoid conflict with personal interests and to disclose any personal interest in any contract with the company and any shareholding held in the company;
- to keep adequate accounting records; and
- to account to the company for any profits arising out of the position as director.

Cape Town Convention

Ireland has ratified the Cape Town Convention on Interests in Mobile Equipment and Aviation Protocol (the "**Convention**") and its terms have the force of law before the Irish courts. Accordingly,

any security agreement constituting an international interest within the meaning of the Convention which has been created by an Irish mortgagor or created in respect of an Irish registered aircraft can be registered with the International Registry.

Ireland has modified the examinership regime so that for leasing, conditional sale and security arrangements that fall within the scope of the Convention, the insolvency officer of the debtor will be required to either:

- cure all defaults under the relevant agreement within 60 days of his appointment and agree to perform all future obligations owed to the creditor under the agreement (in which case the debtor may retain possession of the aircraft); or
- at the end of the 60 day waiting period, give possession of the aircraft to the creditor.

During the 60 day waiting period the insolvency officer must preserve the value of the aircraft and maintain it in accordance with the agreement between the debtor and creditor. During the waiting period, the creditor is also entitled to apply for other forms of interim relief available under applicable law.

[REDACTED]

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[REDACTED]

[REDACTED]

Joint Sponsors' Fee

An amount of RMB1,000,000 is payable by the Company as sponsor fees to each of the Joint Sponsors, totaling an amount of RMB4,000,000.

[REDACTED]

Independence of the Joint Sponsors

Haitong International Capital is a subsidiary of Haitong Securities, our Controlling Shareholder, and therefore is not independent from our Company under Rule 3A.07 of the Listing Rules.

For details on the independence of CICC HK Securities, please refer to section head "Appendix VI – Statutory and General Information – Other Information – Joint Sponsors."

Apart from Haitong International Capital, the other Joint Sponsors satisfy the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

[REDACTED]

[REDACTED]

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STRUCTURE OF THE [REDACTED]

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HOW TO APPLY FOR [REDACTED] AND [REDACTED]

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The following is the text of a report set out on pages I-[1] to I-126, received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.

Deloitte. 德勤

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF HAITONG UNITRUST INTERNATIONAL LEASING CO., LTD. AND HAITONG INTERNATIONAL CAPITAL LIMITED, CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED, CITIGROUP GLOBAL MARKETS ASIA LIMITED, CMB INTERNATIONAL CAPITAL LIMITED

Introduction

We report on the historical financial information of Haitong UniTrust International Leasing Co., Ltd. (海通恒信國際租賃股份有限公司) (the "Company") and its subsidiaries (together, the "Group") set out on pages I-[4] to I-[126], which comprises the consolidated statements of financial position of the Group as at December 31, 2016, 2017 and 2018, the statements of financial position of the Company as at December 31, 2016, 2017 and 2018, the consolidated statements of profit or loss, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the three years ended December 31, 2016, 2017 and 2018 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-[4] to I-[126] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [ ], 2019 (the "Document") in connection with the initial **[REDACTED]** of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants'

judgment, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Company's and the Group's financial position as at December 31, 2016, 2017 and 2018 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-[3] have been made.

Dividends

We refer to Note 16 to the Historical Financial Information which states that no dividends was declared or paid by the Company in respect of the Track Record Period.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
[Date1]

HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The Historical Financial Information in this report was prepared based on the consolidated financial statements of the Company and its subsidiaries for the Track Record Period (the "Underlying Financial Statements"). The Underlying Financial Statements have been prepared in accordance with accounting policies which conform with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB"), and were audited by us in accordance with the International Standards on Auditing issued by the International Auditing and Assurance Standards Board.

The Historical Financial Information is presented in Renminbi and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	NOTES	Year ended December 31		
		2016	2017	2018
		RMB'000	RMB'000	RMB'000
Revenue				
Finance lease income	6	2,303,350	2,675,752	3,698,412
Operating lease income	6	7,253	86,004	174,339
Service fee income	6	723,802	853,356	912,036
Factoring income	6	87,282	359,835	473,517
Entrusted loan and other loan income	6	41,968	61,829	74,019
Total revenue		3,163,655	4,036,776	5,332,323
Net investment gains	7	102,348	65,981	63,546
Share of results of a joint venture	20	–	7,864	12,943
Other income, gains or losses.	8	28,008	177,113	156,560
Total revenue and other income, gains or losses		3,294,011	4,287,734	5,565,372
Depreciation and amortization	9	(6,828)	(45,654)	(86,091)
Staff costs	10	(266,024)	(310,718)	(456,224)
Interest expenses	11	(1,224,516)	(1,524,226)	(2,316,323)
Other operating expenses	12	(126,242)	(145,727)	(172,595)
[REDACTED] expense		–	(19,163)	(13,480)
Impairment losses	13	(557,138)	(592,931)	(765,334)
Total expenses		(2,180,748)	(2,638,419)	(3,810,047)
Profit before income tax		1,113,263	1,649,315	1,755,325
Income tax expenses	14	(264,273)	(398,051)	(444,069)
Profit for the year		848,990	1,251,264	1,311,256
Attributable to:				
Owners of the Company				
- Shareholders		739,021	1,166,661	1,215,258
- Other equity instrument holders		32,295	44,880	49,897
Non-controlling interests		77,674	39,723	46,101
		848,990	1,251,264	1,311,256
Earnings per share attributable to Shareholders of the Company (Expressed in RMB Yuan per share)				
- Basic	15	0.16	0.17	0.17

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Year ended December 31		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Profit for the year	848,990	1,251,264	1,311,256
Other comprehensive income/(expense):			
Items that may be reclassified subsequently to profit or loss:			
Net fair value (losses)/gains on available-for-sale financial assets	4,544	(5,576)	–
Income tax impact	(1,136)	1,394	–
Exchange differences arising on translation	20	(840)	(8,797)
Other comprehensive income/(expense) for the year, net of income tax	3,428	(5,022)	(8,797)
Total comprehensive income for the year	852,418	1,246,242	1,302,459
Attributable to:			
Owners of the Company			
- Shareholders	742,307	1,161,781	1,206,461
- Other equity instrument holders	32,295	44,880	49,897
Non-controlling interests	77,816	39,581	46,101
	852,418	1,246,242	1,302,459

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	NOTES	Year ended December 31		
		2016	2017	2018
		RMB'000	RMB'000	RMB'000
Non-current assets				
Property and equipment	17	377,013	1,578,162	4,217,428
Intangible assets	18	4,253	8,416	14,342
Finance lease receivables	19	22,035,884	22,212,628	30,824,664
Interest in a joint venture	20	–	232,864	245,798
Available-for-sale financial assets	21	287,289	16,914	–
Financial assets at fair value through profit or loss	27	–	–	36,078
Loans and receivables	22	1,990,768	3,947,545	2,424,059
Deferred tax assets	23	353,129	501,210	727,607
Other assets	24	25,009	29,099	148,586
Total non-current assets		25,073,345	28,526,838	38,638,562
Current assets				
Finance lease receivables	19	14,519,336	21,323,548	30,828,048
Available-for-sale financial assets	21	1,238,987	450,185	–
Loans and receivables	22	2,558,333	7,573,784	4,276,336
Other assets	24	133,396	214,847	725,916
Accounts receivable	25	78,353	334	41,237
Financial assets held under resale agreements	26	528,900	–	980,836
Financial assets at fair value through profit or loss	27	950,679	–	2,326,319
Derivative financial assets	28	29,310	1,925	10,170
Cash and bank balances	29	869,917	2,597,341	4,283,957
Total current assets		20,907,211	32,161,964	43,472,819
Total assets		45,980,556	60,688,802	82,111,381
Current liabilities				
Borrowings	30	13,219,964	15,116,204	18,162,075
Derivative financial liabilities	28	–	7,802	23,472
Accrued staff costs	31	95,272	117,585	138,193
Accounts payable	32	567,491	819,401	401,138
Bonds payable	33	1,179,293	6,074,368	12,856,859
Income tax payable		192,977	329,498	368,909
Other liabilities	34	1,395,659	1,873,808	3,132,307
Total current liabilities		16,650,656	24,338,666	35,082,953
Net current assets		4,256,555	7,823,298	8,389,866
Total assets less current liabilities		29,329,900	36,350,136	47,028,428

	NOTES	Year ended December 31		
		2016	2017	2018
		RMB'000	RMB'000	RMB'000
Equity				
Paid-in/share capital	35	5,418,148	7,000,000	7,000,000
Reserves				
- Capital reserve	37	1,146,154	1,780,163	1,780,163
- Surplus reserve	37	235,020	116,604	203,446
- Investment revaluation reserve	37	4,179	139	–
- Translation reserve	37	20	(820)	(9,617)
Retained profits		2,254,075	1,295,266	2,213,818
Other equity instrument				
- Perpetual note	39	1,229,464	1,235,317	1,237,008
Equity attributable to owners of the Company				
- Shareholders		9,057,596	10,191,352	11,187,810
- Other equity instrument holders		1,229,464	1,235,317	1,237,008
Non-controlling interests		447,642	444,723	495,026
Total equity		10,734,702	11,871,392	12,919,844
Non-current liabilities				
Borrowings	30	11,235,613	9,691,637	12,836,538
Bonds payable	33	3,820,065	9,969,987	14,594,792
Other liabilities	34	3,539,520	4,813,699	6,664,935
Deferred tax liabilities	23	–	3,421	12,319
Total non-current liabilities		18,595,198	24,478,744	34,108,584
Total equity and non-current liabilities		29,329,900	36,350,136	47,028,428

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	NOTES	Year ended December 31		
		2016	2017	2018
		RMB'000	RMB'000	RMB'000
Non-current assets				
Property and equipment	17	22,492	52,221	48,249
Intangible assets	18	3,614	7,558	13,322
Finance lease receivables	19	19,990,169	20,798,186	29,270,775
Interest in a joint venture	20	–	232,864	245,798
Available-for-sale financial assets	21	122,602	–	–
Loans and receivables	22	1,868,770	3,797,430	2,337,891
Investments in subsidiaries	52	1,204,576	1,211,420	2,060,074
Deferred tax assets	23	322,459	475,006	706,925
Other assets	24	23,506	29,099	260,613
Total non-current assets		23,558,188	26,603,784	34,943,647
Current assets				
Finance lease receivables	19	13,276,932	20,041,846	29,430,350
Available-for-sale financial assets	21	1,038,401	450,185	–
Loans and receivables	22	2,242,306	7,355,654	4,060,263
Other assets	24	174,406	302,115	590,460
Accounts receivable	25	78,087	77	30,667
Financial assets held under resale agreements	26	375,400	–	980,836
Financial assets at fair value through profit or loss	27	950,679	–	1,950,321
Derivative financial assets	28	29,310	1,925	7,814
Cash and bank balances	29	837,106	1,563,481	3,315,680
Total current assets		19,002,627	29,715,283	40,366,391
Total assets		42,560,815	56,319,067	75,310,038

	NOTES	Year ended December 31		
		2016	2017	2018
		RMB'000	RMB'000	RMB'000
Current liabilities				
Borrowings	30	12,074,354	13,079,174	16,010,296
Derivative financial liabilities	28	–	7,802	5,279
Accrued staff costs	31	83,679	95,934	105,573
Accounts payable	32	567,491	694,401	194,147
Bonds payable	33	1,179,293	6,074,368	12,856,859
Income tax payable		168,207	314,295	350,333
Other liabilities	34	1,033,141	1,720,852	2,989,673
Total current liabilities		15,106,165	21,986,826	32,512,160
Net current assets		3,896,462	7,728,457	7,854,231
Total assets less current liabilities		27,454,650	34,332,241	42,797,878
Equity				
Paid-in/share capital	35	5,418,148	7,000,000	7,000,000
Reserves				
- Capital reserve	37	1,128,594	1,767,215	1,767,215
- Surplus reserve	37	235,020	116,604	203,446
- Investment revaluation reserve	37	3,752	139	–
Retained profits	38	2,008,866	1,049,437	1,831,013
Other equity instrument				
- Perpetual note	39	1,229,464	1,235,317	1,237,008
Total equity		10,023,844	11,168,712	12,038,682
Non-current liabilities				
Borrowings	30	10,320,239	8,649,186	9,864,492
Bonds payable	33	3,820,065	9,969,987	14,594,792
Other liabilities	34	3,290,502	4,544,356	6,299,912
Total non-current liabilities		17,430,806	23,163,529	30,759,196
Total equity and non-current liabilities		27,454,650	34,332,241	42,797,878

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity attributable to shareholders									
	Paid-in/ Share capital	Capital reserve	Surplus revaluation	Investment revaluation reserve	Translation reserve	Retained profits	Sub-total	Other equity instrument	Non-controlling interest	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2016	3,483,740	37,207	173,000	913	–	1,577,074	5,271,934	–	391,961	5,663,895
Profit for the year	–	–	–	—	–	739,021	739,021	32,295	77,674	848,990
Other comprehensive income for the year	–	–	–	3,266	20	–	3,286	–	142	3,428
Total comprehensive income for the year	–	–	–	3,266	20	739,021	742,307	32,295	77,816	852,418
Capital injection (note i)	1,934,408	1,065,592	–	—	–	–	3,000,000	–	–	3,000,000
Share-based payment	–	25,795	–	—	–	–	25,795	–	–	25,795
Perpetual note issued	–	–	–	—	–	–	–	1,197,169	–	1,197,169
Appropriation to surplus reserve	–	–	62,020	—	–	(62,020)	–	–	–	–
Capital injection and acquisition of additional equity interests in subsidiaries (note ii)	–	17,560	–	—	–	–	17,560	–	(22,135)	(4,575)
At December 31, 2016 and January 1, 2017	5,418,148	1,146,154	235,020	4,179	20	2,254,075	9,057,596	1,229,464	447,642	10,734,702
Profit for the year	–	–	–	—	–	1,166,661	1,166,661	44,880	39,723	1,251,264
Other comprehensive expenses for the year	–	–	–	(4,040)	(840)	–	(4,880)	–	(142)	(5,022)
Total comprehensive income/(expenses) for the year	–	–	–	(4,040)	(840)	1,166,661	1,161,781	44,880	39,581	1,246,242
Conversion into a joint stock company (note iii)	1,581,852	662,034	(235,020)	—	–	(2,008,866)	–	–	–	–
Share-based payment (note iv)	–	(23,413)	–	—	–	–	(23,413)	–	–	(23,413)
Dividends to non-controlling interests	–	–	–	—	–	–	–	–	(42,500)	(42,500)
Appropriation to surplus reserve	–	–	116,604	—	–	(116,604)	–	–	–	–
Effect of business combinations under common control (note v)	–	(4,612)	–	—	–	–	(4,612)	–	–	(4,612)
Distribution of perpetual note	–	–	–	—	–	–	–	(37,354)	–	(37,354)
Others	–	–	–	—	–	–	–	(1,673)	–	(1,673)
At December 31, 2017	7,000,000	1,780,163	116,604	139	(820)	1,295,266	10,191,352	1,235,317	444,723	11,871,392

	Equity attributable to shareholders									
	Paid-in/ Share capital	Capital reserve	Surplus revaluation	Investment revaluation reserve	Translation reserve	Retained profits	Sub-total	Other equity instrument	Non-controlling interest	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At December 31, 2017	7,000,000	1,780,163	116,604	139	(820)	1,295,266	10,191,352	1,235,317	444,723	11,871,392
Effect arising from adoption of IFRS 9 (note vi)	–	–	–	(139)	–	(220,701)	(220,840)	–	1,459	(219,381)
At January 1, 2018	7,000,000	1,780,163	116,604	–	(820)	1,074,565	9,970,512	1,235,317	446,182	11,652,011
Profit for the year	–	–	–	–	–	1,215,258	1,215,258	49,897	46,101	1,311,256
Other comprehensive expenses for the year	–	–	–	–	(8,797)	–	(8,797)	–	–	(8,797)
Total comprehensive income/(expenses) for the year	–	–	–	–	(8,797)	1,215,258	1,206,461	49,897	46,101	1,302,459
Capital injection by non-controlling interests (note vii)	–	–	–	–	–	–	–	–	2,743	2,743
Appropriation to surplus reserve	–	–	86,842	–	–	(86,842)	–	–	–	–
Distribution of perpetual note	–	–	–	–	–	12,457	12,457	(49,826)	–	(37,369)
Others	–	–	–	–	–	(1,620)	(1,620)	1,620	–	–
At December 31, 2018	7,000,000	1,780,163	203,446	–	(9,617)	2,213,818	11,187,810	1,237,008	495,026	12,919,844

note i: On December 12, 2016, Haitong Capital Investment Company Limited made a capital injection amounting RMB 3 billion, with raising the paid-in/share capital in amount of RMB 1,934,408 thousand and the capital reserve in amount of RMB 1,065,592 thousand. The registered capital injection has been verified by DTT LLP through No 1095, DE SHI BAO (YAN) ZI (16) Capital Verification Report.

note ii: On December 20, 2016, Haitong UniTrust Financial Leasing (Shanghai) Corporation received capital injection of RMB 510,000 thousand from the Company and RMB 90,000 thousand from the Parent Company totalling RMB 600,000 thousand. The capital injection had been verified by DTT LLP through No 0971, DE SHI BAO (YAN) ZI (16) Capital Verification Report.

In December 2016, the Parent Company transferred 22.62% of its equity interests in Haitong UniFortune International Leasing Co., Ltd. ("Haitong UniFortune") to the Company in consideration of RMB 94,575 thousand. After the transaction, the Parent Company owns 25% of Haitong UniFortune's equity interests, while the Company owns 75%.

The abovementioned transactions resulted in the changes of capital reserve and non-controlling interests.

note iii: Pursuant to the board of directors' resolution on May 12, 2017, the resolution of the first extraordinary general meeting on May 23, 2017 and the revised articles of association, the Company was converted into a joint stock limited company (the "Conversion"). Upon completion of the Conversion, the Company issued and allotted 7,000,000,000 ordinary shares with par value of RMB 1 each to the respective shareholders of the Company in accordance with the proportion of their paid-in/share capital to the Company as at December 31, 2016.

note iv: For the Company's strategic development and management needs, as well as the requirements of applicable PRC laws and regulations, under the authorization of Haitong Securities Shareholders' General Meeting on May 27, 2014, the board of the directors of the Parent Company had a resolution to implement an exit arrangement on the options which have been granted to eligible participants but not exercised. In formulating the arrangement, due consideration has been given to the terms of the share option incentive scheme and the contributions made by the relevant participants to the business of the Group.

note v: On June 13, 2017, Haitong UT Leasing HK Limited acquired 100% equity interest in Haitong Unitrust No.1 Limited from the Parent Company. Thereafter, Haitong Unitrust No.1 Limited was 100% indirectly owned by the Company. The abovementioned transaction was regarded as a business combination under common control as both Haitong UT Leasing HK Limited and Haitong Unitrust No.1 Limited are under the common control of the Parent Company before and after the acquisition. The total equity of Haitong Unitrust No.1 Limited on December 31, 2016 was RMB 4,612 thousand, which was also the consideration paid by the Group for such an acquisition.

note vi: The Group has adopted IFRS 9 which is applied retrospectively from January 1, 2018. As permitted by the transitional provisions of IFRS 9, the Group was elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of initial application were recognized in the opening retained profits of the current period. The net effect on the adjustment on the opening retained profits as at January 1 2018 is a reduction of RMB 220,701 thousand. Refer to Note 3 for more details of the effects arising from initial application of IFRS 9.

note vii: In July, 2018, Penglai Hengshi Properties Limited, the subsidiary of the Company received capital injection of RMB 100 thousand from its minority shareholder. In August and September 2018, Longyao County Yutong`Engineering Project Management Co., Ltd., the subsidiary of the Company received capital injection of RMB 1,703 thousand from its minority shareholders. In October 2018, Longyao County Hengjing`Engineering Project Management Co., Ltd., the subsidiary of the Company received capital injection of RMB 940 thousand from its minority shareholders. The capital injections from the above minority shareholders were recognized as non-controlling interest.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	NOTE	Year ended December 31		
		2016	2017	2018
		RMB'000	RMB'000	RMB'000
OPERATING ACTIVITIES				
Profit before income tax.	6	1,113,263	1,649,315	1,755,325
Adjustments for:				
Interest expense	6	1,224,516	1,524,226	2,316,323
Interest income from deposits with financial institutions		(7,400)	(19,301)	(43,502)
Provision for impairment losses		557,138	592,931	765,334
Depreciation and amortization		6,828	45,654	86,091
Losses on disposal of property and equipment and intangible assets		63	22	39
Share of results of a joint venture		–	(7,864)	(12,943)
Share-based payment		25,795	(15,887)	–
Foreign exchange losses/ (gains), net		90,218	(33,095)	19,750
Net realized gains from available-for-sale assets		(9,453)	(39,615)	–
Net gains arising from financial assets at fair value through profit or loss		–	–	(18,837)
Unrealized fair value change		(27,444)	36,741	(33,097)
Operating cash flows before movements in working capital		2,973,524	3,733,127	4,834,483
Increase in finance lease receivables		(9,648,066)	(7,374,095)	(18,852,762)
Decrease/(Increase) in loans and receivables		(2,867,216)	(7,171,521)	4,511,717
Decrease/(increase) in financial assets at fair value through profit or loss		89,875	949,125	(1,875,000)
(Increase)/decrease in accounts receivable		(62,124)	78,971	(41,152)
Increase in other assets		(94,864)	(108,670)	(660,427)
Increase in accrued staff costs		21,130	22,313	20,608
Increase/(decrease) in account payables		530,397	251,910	(418,263)
Increase in other liabilities		1,413,354	2,003,619	2,867,543
Cash used in operations		(7,643,990)	(7,615,221)	(9,613,253)
Income taxes paid, net		(397,004)	(404,796)	(536,846)
Interest received		7,400	19,301	43,502
Interest paid		(1,133,177)	(1,260,900)	(1,977,867)
NET CASH USED IN OPERATING ACTIVITIES		(9,166,771)	(9,261,616)	(12,084,464)
INVESTING ACTIVITIES				
Disposal of financial assets held under resale agreements		4,136,800	2,314,500	5,083,000
Proceeds on sale of available-for-sale financial assets		28,393,272	33,522,116	–
Proceeds on sale of financial assets at fair value through profit or loss		–	–	23,728,019
Disposal of property and equipment and intangible assets		509	208	46
Proceeds/(repayment) of restricted deposits		51,198	(408,663)	6,448
Amounts from a related party		–	–	161,362
Amounts advanced to a related party		–	(152)	(161,362)
Purchase of financial assets held under resale agreements		(4,462,700)	(1,785,600)	(6,070,600)
Purchase of available-for-sale financial assets		(29,539,465)	(32,428,900)	–
Purchase of financial assets at fair value through profit or loss		–	–	(23,687,763)
Purchase of property and equipment and intangible assets		(23,572)	(1,243,176)	(2,673,521)
Cash outflow on capital injection to a joint venture		–	(225,000)	–
NET CASH USED IN INVESTING ACTIVITIES		(1,443,958)	(254,667)	(3,614,371)

	NOTE	Year ended December 31		
		2016	2017	2018
		RMB'000	RMB'000	RMB'000
FINANCING ACTIVITIES				
Proceeds of capital injection		3,090,000	–	–
Proceeds from capital injection of the non-controlling investors		–	–	2,743
Proceeds from issuance of perpetual note		1,200,000	–	–
Proceeds from borrowings		18,415,569	15,882,112	22,587,924
Proceeds from issuance of bonds		4,570,310	15,311,890	27,449,179
Proceeds of financial assets sold under repurchase agreements		1,500,000	–	–
Repayment of financial assets sold under repurchase agreements		(4,500,000)	–	–
Repayment of borrowings		(12,379,977)	(15,841,168)	(16,438,626)
Repayment of bonds payable		(1,047,567)	(4,239,394)	(16,005,125)
Payments for the costs of borrowing		(66,800)	(51,902)	(81,298)
Payments for the costs of bonds issuance and perpetual note issuance		(13,452)	(34,609)	(66,790)
Payment for acquisition of partial interest in a subsidiary		–	(94,575)	–
Payment for acquisition of subsidiary under common control		–	(4,524)	–
Payment of dividends and distribution of other equity instrument		–	(92,306)	(49,826)
NET CASH FROM FINANCING ACTIVITIES		10,768,083	10,835,524	17,398,181
NET INCREASE IN CASH AND CASH EQUIVALENTS		157,354	1,319,241	1,699,346
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		493,514	650,878	1,969,639
Effect of foreign exchange rate changes		10	(480)	(6,218)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	42	650,878	1,969,639	3,662,767

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Company is a foreign-invested enterprise which was incorporated under the name of Matsuyama Nissin Investment and Consulting (Shanghai) Co., Ltd. (松山日新投資諮詢(上海)有限公司) in Shanghai, the People's Republic of China ("PRC") on July 9, 2004. Subsequently, it was renamed as Matsuyama Nissin Investment & Consulting (Shanghai) Co., Ltd. (松山日新投資管理(上海)有限公司) in December, 2004, Matsuyama Nissin Leasing (Shanghai) Co., Ltd. (松山日新租賃(上海)有限公司) in July, 2005, Nissin Leasing (China) Co., Ltd. (日新租賃(中國)有限公司) in February, 2006, UniTrust Finance & Leasing Corporation (恒信金融租賃有限公司) in April, 2009 and Haitong UniTrust International Leasing Corporation (海通恒信國際租賃有限公司) in October, 2014 respectively. The registered office of the Company is located at Floor 10, Henderson Metropolitan, No.300 East Nanjing Road, Huang Pu District, Shanghai, PRC.

Haitong UT Capital Group Co., Limited (formerly known as UT Capital Group Co., Limited, hereafter referred as the "Parent Company") was incorporated in Hong Kong. Prior to January 15, 2014, the Parent Company was a wholly-owned subsidiary of UT Capital Holdings Co., Limited with TPG Capital, L.P. as the ultimate holding company. On January 15, 2014, Haitong International Holdings Limited ("HIHL"), a wholly-owned subsidiary of Haitong Securities Co., Ltd., acquired 100% equity interest in the Parent Company. After the acquisition, the Parent Company became a wholly-owned subsidiary of HIHL with Haitong Securities Co., Ltd. as the ultimate holding company.

Pursuant to the board of directors' resolution dated May 12, 2017, the resolution of the first extraordinary general meeting dated May 23, 2017 and the revised articles of association, the Company was converted into a joint stock limited company (the "Conversion"), and renamed to Haitong UniTrust International Leasing Co., Ltd.

Upon completion of the Conversion, the Company issued and allotted 7,000,000,000 ordinary shares with par value of RMB 1 each to the respective shareholders of the Company in accordance with the proportion of their paid-in/share capital to the Company as at December 31, 2016.

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

The Historical Financial Information is presented in Renminbi ("RMB"), which is also the functional currency of the Company.

The statutory financial statements of the Company for the year ended December 31, 2016, 2017 and 2018 were prepared in accordance with relevant accounting principles and financial regulations applicable to the enterprises in the People's Republic of China ("PRC") and were audited by Deloitte Touche Tohmatsu, certified public accountants registered in Shanghai, China.

2. BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared based on the accounting policies set out in Note 4 which conform with IFRSs issued by IASB and the principle of merger accounting/ conventions applicable for group reorganization.

Combination of the equity interests in Haitong UniFortune

In March 2014, the Company made a capital contribution of RMB 110 million to Haitong UniFortune, acquiring 52.38% of its equity interests. After the completion of the acquisition, the Company became the holding company of Haitong UniFortune. In December 2016, the Parent Company transferred 22.62% of its total equity interests in Haitong UniFortune to the Company at RMB 94,575 thousand consideration. After the transaction, the Parent Company owns 25% of Haitong UniFortune's equity interests, while the Company owns 75%.

The abovementioned transaction was regarded as a business combination under common control as both the Company and Haitong UniFortune are under the control of the Parent Company before and after the acquisition.

Combination of the equity interests in Haitong Unitrust No.1 Limited

Prior to the reorganization, 75% of the equity interests of Haitong UniTrust Financial Leasing (Shanghai) Corporation and Haitong UniFortune were held by the Company, while the remaining 25% interests were held by the Parent Company, whose ultimate holding company is Haitong Securities Co., Ltd. since January 15, 2014. Under a group reorganization scheme to rationalize the structure of the Group in preparation for the **[REDACTED]** on The Stock Exchange of Hong Kong Limited, the following steps were taken place:

(a) On April 25, 2017, Haitong UT Leasing HK Limited (海通恒信租賃(香港)有限公司) ("HK Newco") was incorporated in Hong Kong and fully controlled by the Company;

(b) On June 8, 2017, the Company and the Parent Company entered into an agreement to acquire 25% equity interests in each of Haitong UniTrust Financial Leasing and Haitong UniFortune from the Parent Company. According to the agreement, during the period commencing on the effective date specified of the agreement to the date of the formal execution of the documents for the transfer of equity interests, the Company shall exercise, on behalf of the Parent Company, all shareholder's rights other than rights to sell and to receive income (including cash dividend and scrip dividend), including but not limited to the rights to decide and to vote and other shareholder's rights of such equity interests;

(c) Pursuant to a share transfer agreement dated June 13, 2017, the HK Newco acquired 100% equity interest in Haitong Unitrust No.1 Limited ("HUN1") from the Parent Company. Thereafter, HUN1 was 100% indirectly held by the Company.

The Group resulting from the above mentioned reorganization is regarded as a continuing entity, and the abovementioned transaction is regarded as a business combination under common control as both the Company and HUN1 are under the control of the Parent Company before and after the acquisition.

The consolidated statements of profit or loss, consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2016 and 2017 have been prepared to present the results, changes in equity and cash flows of the companies now comprising the Group, as if the Company had always been holding company of the companies comprising the Group and the current group structure had been in existence throughout the years ended December 31, 2016 and 2017, or since the respective date of establishment/ incorporation of the entities comprising the Group, where is a shorter period. The consolidated statements of financial position of the Group as at December 31 2016 have been

prepared using the principles of merger accounting as if the group structure under the group reorganization had been in existence at that date, taken into account the respective dates of the establishment/ incorporation of the entities comprising the Group.

3. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

New and Amendments to IFRSs that are mandatorily effective for the accounting period beginning on January 1, 2018

For the purpose of preparing and presenting the Historical Financial Information, the Group has consistently applied the following new and amendments to International Accounting Standards ("IASs"), IFRSs, and the related Interpretations ("IFRICs") (herein collectively referred to as the "IFRSs") which are effective for the accounting period beginning on January 1, 2018 throughout the Track Record Period except that the Group adopted IFRS 9 "Financial Instruments" on January 1, 2018.

IFRS 9 Financial Instruments

Impacts and changes in accounting policies of application on IFRS 9 Financial Instruments

During the year ended December 31, 2018, the Group has applied IFRS 9 *Financial Instruments*, and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets, lease receivables and other items subject to ECL assessment, and 3) general hedge accounting. The accounting policies for financial instrument under IFRS 9 are set out in Note 4 below.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9. i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognized as at January 1, 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognized as at January 1, 2018. The difference between carrying amounts as at December 31, 2017 and the carrying amounts as at January 1, 2018 are recognized in the opening retained profits and other components of equity as at January 1, 2018, without restating the financial information for the years ended December 31, 2016 and 2017.

Summary of effects arising from initial application of IFRS 9

The table below illustrates the classification and measurement (including impairment) of financial assets subject to ECL under IFRS 9 and IAS 39 at the date of initial application, January 1, 2018.

	Available-for-sale	Financial Assets at FVTPL required by IAS 39/IFRS9	Cash and bank balances	Finance lease receivables	Loans and receivables	Other financial assets at amortized cost	Deferred tax assets/ liabilities	Investment revaluation reserve	Retained profits	Non-controlling interests
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Closing balance at December 31, 2017 – IAS 39	467,099	–	2,597,341	43,536,176	11,521,329	45,504	497,789	139	1,295,266	444,723
Effect arising from initial application of IFRS 9:										
Reclassification										
From available-for-sale (note i)	(467,099)	467,099	–	–	–	–	–	(139)	139	–
From cash and bank balances (note ii)	–	323,642	(323,642)	–	–	–	–	–	–	–
Remeasurement										
Impairment under ECL model (note iii)	–	–	(34)	(14,165)	(277,558)	(752)	73,137	–	(220,831)	1,459
Opening balance at January 1, 2018	–	790,741	2,273,665	43,522,011	11,243,771	44,752	570,926	–	1,074,574	446,182

note i: At the date of initial application of IFRS 9, the Group's wealth management products of RMB 450,185 thousand and equity investments of RMB 16,914 thousand were reclassified from available-for-sale ("AFS") investments to financial assets at fair value through profit or loss ("FVTPL"). The accumulated fair value gains of RMB 139 thousand relating to those investments previously carried at fair value were transferred from investment revaluation reserve to retained profits.

note ii: Structured deposits of RMB 323,642 thousand which previously included in cash and bank balances carried at amortized cost was reclassified to FVTPL upon the application of IFRS 9 because its cash flows do not represent solely payments of principal and interest on the principal amount outstanding.

note iii: The Group applies the IFRS 9 general approach to measure ECL on loans and receivables, finance lease receivables and other financial assets. The Group applies the IFRS 9 simplified approach which uses a lifetime ECL for accounts receivable. Loss allowances for cash and bank balances is measured on 12 month ECL basis as the bank balances is determined to have low credit risk at reporting date. As at January 1, 2018, the additional credit loss allowance of RMB 220,831 thousand after considering the deferred tax effect has been recognized against retained profits. The additional loss allowance is charged against the respective asset.

All loss allowances for financial assets including finance lease receivables, loans and receivables, accounts receivable, cash and bank balances and other financial assets as at December 31, 2017 reconcile to the opening loss allowance as at January 1, 2018 is as follows:

	Financial lease receivables	Loans and receivables	Cash and bank balances	Other financial assets at amortized cost
	RMB'000	RMB'000	RMB'000	RMB'000
At December 31, 2017-IAS 39	1,482,043	294,382	–	4,440
Amounts remeasured through opening retained profits	14,165	277,558	34	752
At January 1, 2018	1,496,208	571,940	34	5,192

Furthermore, the net effects arising from the initial application of IFRS 9 resulted in a decrease in the carrying amounts of interests in a joint venture of RMB 9 thousand respectively with corresponding adjustments to retained profits by RMB 9 thousand.

There were no financial liabilities which the Group had previously designated as at FVTPL or measured at amortized cost under IAS 39 that were subject to reclassification, or which the Group has elected to reclassify upon the application of IFRS 9.

New and amendments to IFRSs in issue but not effective

At the date of this report, the Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 16	Leases[1]
IFRS 17	Insurance Contracts[2]
IFRIC 23	Uncertainty over Income Tax Treatment[1]
Amendments to IFRS 3	Definition of a business[4]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 1 and IAS 8	Definition of Material[5]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015-2017 Cycle[1]

1 Effective for annual periods beginning on or after January 1, 2019.

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

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

4 Effective for business combinitions and assets acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on after January 1, 2020.

5 Effective for annual periods beginning on or after January 1, 2020.

Except for the following new IFRS, the directors of the Company are of the view that the application of these new and amendments to but not yet effective IFRSs is unlikely to have a significant impact on the consolidated financial statements in the foreseeable future.

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of the lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, IFRS 16 requires sales and leaseback transactions to be determined based on the requirements of IFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. IFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognized for all leases by lessees except for short-term leases and leases of low-value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under IAS 17 are presented as operating cash flows; whereas upon application of IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and operating cash flows respectively by the Group.

Other than certain requirements which are also applicable to lessor, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at December 31, 2018, the Group has non-cancellable operating lease commitments of RMB 55,370 thousand, of which RMB 55,002 thousand has an original lease term over 1 year. IAS 17 does not require the recognition of any right-of-use asset or liability for future payments for these leases; instead, certain information is disclosed as operating lease commitment in Note 46. After preliminary assessment, the directors of the Company do not anticipate that the application of IFRS 16 will have a significant impact on the financial position and financial performance of the Group but it is expected that the Group will recognize right-of-use assets and corresponding liabilities in respect of all these leases with original lease terms over 1 year unless they qualify for low value leases.

In addition, the Group currently considers refundable rental deposits paid of RMB 11,893 thousand as rights under leases to which IAS 17 applies. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortized cost and such adjustments are considered as additional lease payments and included in the carrying amount of right-of-use assets.

The directors of the Company expected that, such changes would increase the consolidated assets and consolidated liabilities of the Group, but would not result in a significant impact to the consolidated financial performance in the Group's future financial statements.

Upon application of IFRS 16, the Group will apply the requirements of IFRS 15 to assess whether sales and leaseback transaction constitutes a sale. For a transfer that does not satisfy the requirements as a sale, the Group will account for the transfer proceeds as financial assets within the scope of IFRS 9. In accordance with the transition provisions of IFRS 16, sale and leaseback transactions entered into before the date of initial application will not be reassessed but the new requirements may impact the Group's future sale and leaseback transactions.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group elects the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC-Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC-Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application.

Furthermore, the Group elects the modified retrospective approach for the application of IFRS 16 as lessee and will recognize the cumulative effect of initial application to opening retained profits without restating comparative information.

4. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The Historical Financial Information has been prepared in accordance with the following accounting policies which conform with IFRS. In addition, the Historical Financial Information includes applicable disclosure required by the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of preparation

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement data. Fair value for measurement and/or disclosure purpose 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 within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value, such as value in use in IAS 36 Impairment of Assets.

In addition, for financial reporting purposes, fair value measurements are categorized 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 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.

The principal accounting policies are set out below.

Basis of consolidation

The Historical Financial Information incorporates 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 Company reassesses whether or not it controls an investee if facts and circumstances indicates that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year or period are included in the consolidated statement

of profit or losses and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the shareholders of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the shareholders 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 in 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.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership 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 interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to shareholders of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognized. A gain or loss is recognized 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 previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 or IFRS 9, when applicable, the cost on initial recognition of an investment in a joint venture.

Investments in subsidiaries

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

Merger accounting for business combination involving businesses under common control

The Historical Financial Information incorporate the financial statements items of the combining businesses in which the common control combination occurs as if they had been consolidated from the date when the combining businesses first came under the control of the controlling party. The net assets of the combining businesses are consolidated using the existing book values from the controlling

party's perspective. No amount is recognized in respect of goodwill or bargain purchase gain at the time of common control combination.

The consolidated statement of profit or loss and other comprehensive income/statement of profit or loss includes the results of each of the combining businesses from the earliest date presented or since the date when the combining businesses first came under the common control, where this is a shorter period. The comparative amounts in the consolidated financial statements are presented as if the businesses had been consolidated at the end of the previous reporting period or when they first came under common control, whichever is shorter.

Investments in a joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of joint ventures are incorporated in the Historical Financial Information using the equity method of accounting. The financial statements of joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances.

Under the equity method, an investment in a joint venture is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the joint venture. Changes in net assets of the joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be a joint venture, or when the investment (or a portion thereof) is classified as held for sale. When the

Group retains an interest in the former joint venture and the retained interest is a financial asset within the scope of IAS 39 or IFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing the relevant interest in the joint venture is included in the determination of the gain or loss on disposal of the joint venture. In addition, the Group accounts for all amounts previously recognized in other comprehensive income in relation to that joint venture on the same basis as would be required if that joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

When the Group reduces its ownership interest in a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with a joint venture of the Group, profits and losses resulting from the transactions with the joint venture are recognized in the Group's consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

Property and equipment

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

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

Construction in progress is carried at cost, less any recognized impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property and equipment is derecognized 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 recognized 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:

Classes	Estimated residual value rates	Estimated useful lives
Electronic equipment	5%-10%	3-5 years
Motor vehicles	5%-10%	4-6 years
Office equipment	5%-10%	3-5 years
Leasehold improvements	nil	2-5 years
Leasehold land and buildings	5%	35 years

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

Classes	Estimated residual value rates	Estimated useful lives
Aircraft	15%	18-25 years

Properties under development

Properties under development which are intended to be sold upon completion of development are classified as current assets, and carried at the lower of cost and net realizable value. Cost includes the related land cost, development expenditure incurred and where appropriate, borrowing costs capitalized. Net realizable value represented the estimated selling price for the properties less estimated cost to completion and costs necessary to make the sales.

Properties under development are transferred to properties held for sales upon completion.

Intangible assets

Intangible assets acquired separately

Intangible assets are all separately acquired computer software, with finite useful lives of five years and are carried at costs less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimates being accounted for on a prospective basis.

Derecognition of intangible assets

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

Impairment on tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets 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 asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of tangible and intangible assets are estimated individually, when it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, 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 the 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. An impairment loss is recognized immediately in profit or loss

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) 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 recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Group's net investment in the leases. Finance lease 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 recognized 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 recognized on a straight-line basis over the lease term.

The Group as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

Leasehold land and building

When the Group makes payments for a property interest which includes both leasehold land and building elements, the Group assesses the classification of each element separately based on the

assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire property is accounted as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortized over the lease term on a straight-line basis. When the payments cannot be allocated reliably between the leasehold land and building elements, the entire property is generally classified as if the leasehold land is under finance lease.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency (foreign currencies) are recognized at the rates of exchanges prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized in profit or loss in the period in which they arise.

For the purposes of presenting Historical Financial Information, the assets and liabilities of the Group's foreign operations are translated into RMB 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, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity (and attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the shareholders of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognized in profit or loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognized 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 recognized in profit or loss on a systematic basis over the periods in which the Group recognizes 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 recognized as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

Employee benefits

Short-term and other long-term employee benefits

A liability is recognized for benefits accruing to employees in respect of wages and salaries in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for the service.

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

Liabilities recognized in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

Social welfare

Social welfare expenditure refers to payments for employees' social welfare system established by the government of the PRC, including social pension insurance, health care insurance, housing funds and other social welfare contributions. The Group contributes on a regular basis to these funds based on certain percentage of the employees' salaries and the contributions are recognized in profit or loss for the period when employees have rendered service entitling them to the contribution. The Group's liabilities in respect of these funds are limited to the contribution payable in the Track Record Period.

Share-based payment transactions

Share options granted to employees

The Group operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity settled transactions").

The fair value determined at the grant date of the equity-settled share-based payments without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the

vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (capital reserve).

At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to capital reserve.

When share options are exercised, the amount previously recognized in capital reserve will be transferred to share premium.

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 or period. Taxable profit differs from "profit before income tax" as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized 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 utilized. Such deferred tax assets and liabilities are not recognized 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 recognized if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and a joint venture, 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 recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax assets and liabilities 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.

Current and deferred tax for the year or period

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized 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.

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 by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Financial instruments (before application of IFRS 9 on January 1, 2018)

Financial assets and financial liabilities are recognized 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. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) 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 fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets at FVTPL AFS financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Classification of financial assets

Upon the initial recognition of financial assets, the Group needs to determine the classification of financial assets in accordance with the nature and the intention of holding. Since the subsequent measurement methods are different for various categories of financial assets, the classification of financial assets would have an impact on the Group's financial condition and operational results.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the Track Record Period. The effective interest rate is the rate

that exactly discounts estimated future cash receipts (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 debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as FVTPL.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is (i) contingent consideration that may be paid by an acquirer as part of a business combination to which IFRS 3 applies, (ii) held for trading, or (iii) it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividends or interest earned on the financial assets. Fair value is determined in the manner described in Note 51.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables, accounts receivable, notes receivable, interest receivables, financial assets held under resale agreements and cash and bank balances, are measured at amortized cost using the effective interest method, less any impairment.

Interest income is recognized by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

AFS financial assets

AFS financial assets are non-derivatives that are either designated or not classified as (a) loans and receivables or (b) financial assets at fair value through profit or loss.

Equity and debt securities held by the Group that are traded in an active market are classified as AFS and are stated at fair value at the end of each reporting period. The Group also has investments in unlisted shares that are not traded in an active market but that are also classified as AFS financial assets and stated at cost less impairment at the end of each reporting period (because the directors of the Company are of the opinion that the fair value cannot be measured reliably). Fair value is determined in the manner described in Note 51. Interest income calculated using the effective interest method and dividends on AFS equity investments are recognized in profit or loss. Other changes in the carrying amount of AFS financial assets are recognized in other comprehensive income and

accumulated under the heading of investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the accumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

Dividends on AFS equity investments are recognized in profit or loss when the Group's right to receive the dividends is established.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganization.

For certain categories of financial assets, such as finance lease receivables and loans and accounts receivable, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the agreed payment term, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods (see the accounting policy below).

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of finance lease receivables, loans and accounts receivable, and other assets, where the carrying amount is reduced through the use of an allowance account. When finance lease receivables and loans and accounts receivable and other assets are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of AFS equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to impairment loss is recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Derecognition of financial assets

The Group derecognizes a financial asset 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 party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes 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 recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset, 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 recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

On derecognition of a financial asset other than in its entirety, (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts at the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity 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 an entity after deducting all of its liabilities. Equity instruments issued by the group entity are recognized at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (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 liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognized on an effective interest basis.

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'at amortized cost'.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration that may be paid by an acquirer as part of a business combination to which IFRS 3 applies, (ii) held for trading, or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; 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 a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise, or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivative, and IAS 39 permits the entire consolidated contract to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid and dividends paid. Fair value is determined in the manner described in Note 51.

Financial liabilities at amortized cost

Financial liabilities including borrowings, accounts payable, bonds payable, interests payable, notes payable, amount due to holding companies and other payables are subsequently measured at amortized cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognizes 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 derecognized and the consideration paid and payable is recognized in profit or loss.

Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including interest rate swaps and currency forward. Further details of derivatives financial instruments are disclosed in Note 28.

Derivatives are initially recognized at fair value at the date that derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately 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.

Financial assets held under resale agreements

Financial assets that have been purchased under agreements with a commitment to resell at a specific future date are not recognized in the statement of financial position. The cost of purchasing such assets is presented under "financial assets held under resale agreements" in the statement of financial position.

Financial instruments (upon application of IFRS 9)

Financial assets and financial liabilities are recognized 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 since January 1, 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at 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 recognized immediately in profit or loss.

The effective interest method is a method of calculating the amortized 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 income which is derived from the Group's ordinary course of business are presented as revenue.

Financial assets

All financial assets are recognized and derecognized on a trade date basis where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned. All financial assets are initially measured at fair value, plus transaction costs, except for those financial assets classified as at FVTPL.

All recognized financial assets that are within the scope of IFRS 9 are subsequently measured at amortized cost or fair value on the basis of the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Financial assets that meet the following conditions are subsequently measured at amortized 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 collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial recognition/initial application of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in OCI if that equity investment is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 *Business Combinations* applies.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortized 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 recognized using the effective interest method for financial assets measured subsequently at amortized cost and debt instruments/receivables 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 recognized by applying the effective interest rate to the amortized 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 recognized by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortized 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 recognized in profit or loss. The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial asset and is included in the "net investment gains" line item.

Reclassifications

If the business model under which the Group holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the Group's financial assets. During the year ended December 31, 2018, there was no change in the business model under which the Group holds financial assets and therefore no reclassifications were made. Changes in contractual cash flows are considered under the accounting policy on derecognition of financial assets described below.

Impairment of financial assets

The Group recognizes a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9, including finance lease receivables, loans and receivables, bank balances and other financial assets. 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). Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognizes lifetime ECL for accounts receivable. The ECL on these assets are assessed individually for debtors with significant balances and collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognizes

lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Credit-impaired financial assets

A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data about the following events:

(a) significant financial difficulty of the borrower or issuer;

(b) the borrower is past due more than 90 days;

(c) the borrower is unlikely to pay its credit obligations to the Group in full;

(d) the disappearance of an active market for a security because of financial difficulties; or

(e) other objective evidences of credit-impairment.

When assessing the likelihood of the borrower to pay its credit obligation, the Group takes into account both qualitative and quantitative indicators. Qualitative indicator, such as the breach of covenants, and quantitative indicators, such as overdue status and non-payment on another obligation of the same counterparty are key inputs in this analysis. The Group uses a variety of sources of information to assess credit-impairment which are either developed internally or obtained from external sources.

It may not be possible to identify a single discrete event – instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Group assesses whether debt instruments that are financial assets measured at amortized cost or FVTOCI are credit-impaired at each reporting date.

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 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 are the evidences when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- the borrower is past due more than 30 days;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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 fulfill its contractual cash flow obligations.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significantly increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a finance lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with IAS 17 *Leases.*

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortized cost of the financial asset.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, except for finance lease receivables, loans and receivables, other assets, accounts receivable, financial assets held under resale agreements, cash and bank balances, where the corresponding adjustment is recognized through a loss allowance account.

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the asset's cash flows expire, or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred 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 recognizes 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 recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain/loss that had been recognized in OCI and accumulated in equity is recognized in profit or loss, with the exception of equity investment designated as measured at FVTOCI, where the cumulative gain/loss previously recognized in OCI is not subsequently reclassified to profit or loss.

Write-off

Financial assets are written off when the Group has no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event. The Group may apply enforcement activities to financial assets written off. Recoveries resulting from the Group's enforcement activities will result in impairment gains.

Financial liabilities and equity

Debt and equity instruments that are issued are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

A financial liability is a contractual obligation to deliver cash or another financial asset or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group or a contract that will or may be settled in the Group's own equity instruments and is a non-derivative contract for which the Group is or may be obliged to deliver a variable number of its own equity instruments, or a derivative contract over own equity that will or may be settled other than by the exchange of a fixed amount of cash (or another financial asset) for a fixed number of the Group's own equity instruments.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'at amortized cost'.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) held for trading, or (ii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire hybrid (combined) contract to be designated as at FVTPL.

Financial liabilities at amortized cost

Financial liabilities at amortized cost, including deposits, borrowings and other financial liabilities, are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Group derecognizes 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 derecognized and the consideration paid and payable is recognized in profit or loss.

When the Group exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are

substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability.

Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including interest rate swaps and currency forward. Further details of derivatives financial instruments are disclosed in Note 28.

Derivatives are initially recognized at fair value at the date when derivative contract are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain/loss is recognized in profit or loss immediately 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.

A derivative with a positive fair value is recognized as a financial asset whereas a derivative with a negative fair value is recognized as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realized or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Financial assets held under resale agreements

Financial assets that have been purchased under agreements with a commitment to resell at a specific future date are not recognized in the statement of financial position. The cost of purchasing such assets is presented under "financial assets held under resale agreements" in the statement of financial position.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted to use.

Revenue recognition

The Group recognizes 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: Recognize revenue when (or as) the entity satisfies a performance obligation

The Group recognizes revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a service (or a bundle of services) that is distinct or a series of distinct services that are substantially the same.

Control is transferred over time and revenue is recognized 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 recognized 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.

The Group recognizes revenue from the following major sources:

(i) Finance lease income

The Group's accounting policy for recognition of revenue from finance leases is described in the accounting policy for leasing above.

(ii) Rental income from operating leases

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing above.

(iii) Factoring income and entrusted and other loan income

Factoring income and entrusted and other loan income are recognized as revenue in each period according to the effective interest rate method during the terms of the contract.

(iv) Service fee income

Service fee income is from contracts with customers and recognized at a point in time when the services are completed under the terms of each service engagement and the revenue can be measured reliably, since only by that time the Group has a present right to payment from the customers for the service performed.

(v) Interest income

Interest income from a financial asset is recognized 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.

5. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, 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 associated 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 recognized 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.

5.1 CRITICAL ACCOUNTING JUDGMENT

The following are the critical judgments, apart from those estimations involved (see Note 5.2), 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 recognized in the consolidated financial statements.

Classification of leases

The Group has entered into certain lease businesses whereby the Group has determined that it has transferred substantially all the risks and rewards incidental to ownership of the assets held for lease businesses to the lessees, as the present value of the minimum lease payments of the lease amounts to at least substantially all of the fair value of the assets held for lease businesses at the inception of the leases. Accordingly, the Group has excluded the assets held for lease businesses under finance lease from its consolidated statements of financial position and instead recognized finance lease receivables (Note 19). Otherwise the Group includes the assets held for lease businesses under operating lease in property and equipment. The determination of whether the Group has transferred substantially all the risks and rewards incidental to ownership depends on an assessment of the relevant arrangements relating to the lease, which involved critical judgments by management.

Classification of financial assets

Upon the initial recognition of financial assets, the Group needs to determine the classification of financial assets in accordance with IAS 39/ IFRS 9. Since the subsequent measurement methods are different for various categories of financial assets, the classification of financial assets would have an impact on the Group's financial condition and operational results.

5.2 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 Track Record Period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months.

Impairment of finance lease receivables

The Group reviews its finance lease receivables to assess impairment on a regular basis. The methodologies and assumptions used for estimating the impairment are reviewed regularly to reduce any differences between loss estimates and actual loss experience. Details of finance lease receivable are set out in Note 19.

Before application of IFRS 9, management estimates the amount of loss allowance using incurred credit loss model. The impairment loss amount of the individual finance lease receivable is the net decrease in the present value of the estimated future cash flows, and the evidence of impairment may include observable data indicating that there is a measurable decrease in the estimated future cash flows of the individual finance lease receivable. The Group periodically reviews its finance lease receivables to assess impairment individually and collectively except that there are known situation demonstrating impairment losses have occurred during that period. The Group makes judgments as to whether there is any observable data indicating that an impairment loss should be recorded in the statement of profit or loss from a portfolio of finance lease receivables before the decrease can be identified with an individual finance lease receivable in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group (e.g. payment delinquency or default), or national or local economic conditions that correlate with defaults on assets in the portfolio. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows.

Upon the application of IFRS 9 on January 1, 2018, management estimates the amount of loss allowance for ECL on financial lease receivables that are measured at amortized cost based on the credit risk of the finance lease receivables. The loss allowance amount is measured as the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit loss of the finance lease receivables. The assessment of the credit risk of the finance lease receivables involves high degree of estimation and uncertainty. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise, accordingly.

The following significant judgments are required in applying the accounting requirements for measuring the ECL:

Significant increase of credit risk

As explained in Note 4, ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased, the Group takes into account qualitative and quantitative reasonable and supportable forward looking information. Refer to Note 4 for more details.

Models and assumptions used

The Group uses various models and assumptions in estimating ECL, for example GDP growth rate, Producer Price Index ("PPI") and Consumer Price Index ("CPI"). Judgment is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk. See Note 4 for more details on ECL.

Fair value of financial instruments

The Group has adopted valuation models to calculate the fair value for the financial instruments without active market price. Such valuation models include discounted cash flow model and other valuation models. In practice, the discounted cash flow model only use the observable data whenever possible, however, the management still needs to make assumptions regarding to the factors, such as counterparty's credit risk, market volatility and correlations. The estimated fair value of the financial instruments will be affected for any changes of the above factors.

Income taxes

There are certain transactions and activities for which the ultimate tax determination is subject to the final approval of annual tax return the Group filed with relevant tax authorities. Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will impact the current income tax and deferred income tax in the period during which such a determination is made.

Deferred tax assets and liabilities

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Where the actual or expected tax position of the relevant companies of the Group in future are different from the original estimates, such differences will impact on the recognition of deferred tax assets and liabilities and income tax charge in the period in which such estimate has been changed.

6. REVENUE AND SEGMENT INFORMATION

	Year ended December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Finance lease income	2,303,350	2,675,752	3,698,412
Operating lease income	7,253	86,004	174,339
Service fee income	723,802	853,356	912,036
Factoring income (note)	87,282	359,835	473,517
Entrusted loan and other loan income (note)	41,968	61,829	74,019
Total revenue	3,163,655	4,036,776	5,332,323

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

The management of the Company has determined that the Group has only one operating and reportable segment throughout the Track Record Period. The management of the Company reviews the consolidated statements of financial position and results of the Group as a whole for the purposes of allocating resources and assessing performance of the Group.

Geographical information

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

Information about major customers

During the years ended December 31, 2016, 2017 and 2018, there was no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

7. NET INVESTMENT GAINS

	Year ended December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Net realized gains from disposal of available-for-sale financial assets	9,453	39,615	–
Net gains/(losses) arising from derivative financial instruments	69,572	(34,165)	(13,991)
Net gains arising from financial assets at fair value through profit or loss	23,323	60,531	77,537
	102,348	65,981	63,546

8. OTHER INCOME, GAINS OR LOSSES

	Year ended December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Interest income from deposits with financial institutions	7,400	19,301	43,502
Foreign exchange (losses)/gains	(90,218)	33,095	(19,750)
Government grants (note)	93,032	90,030	56,706
Losses on disposal of financial lease assets	(2,790)	(7,768)	(7,895)
Others	20,584	42,455	83,997
	28,008	177,113	156,560

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

9. DEPRECIATION AND AMORTIZATION

	Year ended December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Depreciation of property and equipment	5,339	44,067	83,001
Amortization of other intangible assets	1,489	1,587	3,090
	6,828	45,654	86,091

10. STAFF COSTS

	Year ended December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Salaries, bonus and allowances	219,238	236,002	356,645
Social welfare	40,910	68,051	89,524
Others	5,876	6,665	10,055
	266,024	310,718	456,224

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

11. INTEREST EXPENSES

	Year ended December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Interest on liabilities:			
Borrowings	1,021,469	1,124,741	1,277,831
Bonds payables	159,647	399,485	1,038,492
Financial assets sold under repurchase agreements	43,400	–	–
	1,224,516	1,524,226	2,316,323

12. OTHER OPERATING EXPENSES

	Year ended December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Business traveling expenses	34,208	32,032	39,347
Operating lease rentals in respect of rented premises	22,727	31,856	38,523
Advisory expenses	11,129	25,142	23,374
Business tax and surcharges	14,183	7,123	6,706
Business development expenses	10,776	12,780	11,425
Administrative expenses	5,305	5,340	8,696
Communication expenses	4,926	6,690	9,053
Bank charges	1,907	3,176	9,053
Auditor's remuneration	886	1,324	1,904
Publicity expenses	592	365	425
Others	19,603	19,899	24,089
	126,242	145,727	172,595

13. IMPAIRMENT LOSSES

	Year ended December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Provision for impairment loss on finance lease receivables	486,733	393,139	722,061
Provision for impairment loss on loans and receivables	64,721	199,343	31,659
Provision/(reversal) for impairment loss on accounts receivable	1,465	(953)	651
Provision for impairment loss on financial assets held under resale agreements	–	–	6,764
Provision for impairment loss on cash and bank balances	–	–	30
Provision for impairment loss on other assets	4,219	1,402	4,169
	557,138	592,931	765,334

Please refer to Note 50.2 for impairment assessment.

14. INCOME TAX EXPENSES

	Year ended December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Current tax:			
Enterprise Income Tax	374,506	541,262	588,699
Deferred tax	(110,233)	(143,211)	(144,630)
	264,273	398,051	444,069

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

The reconciliation between the income tax expense at the statutory tax rate of 25% and the effective tax rate is as follows:

	Year ended December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Profit before income tax	1,113,263	1,649,315	1,755,325
Tax at the statutory tax rate of 25%	278,316	412,329	438,831
Tax effect of expenses not deductible for tax purpose	7,937	2,437	22,473
Tax effect of income not taxable for tax purpose (note)	(20,827)	(15,521)	(11,904)
Tax effect of share of profit of a joint venture	–	(1,966)	(3,236)
Effect of different tax rates of subsidiaries	(1,153)	772	(2,095)
Income tax expense for the year	264,273	398,051	444,069

note: Income not taxable for tax purpose mainly includes investment income from monetary funds.

15. EARNINGS PER SHARE

	Year ended December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Earnings for the purpose of basic earnings per share:			
Profit for the year attributable to shareholders of the Company	739,021	1,166,661	1,215,258
Weighted average number of shares for basic earnings per share (in'000)	4,637,400	7,000,000	7,000,000
Basic earnings per share	0.16	0.17	0.17

The Company was converted to a joint stock company on May 23, 2017, 7,000,000,000 ordinary shares with par value of RMB 1 each were issued and allotted to the respective shareholders of the Company according to the paid-in capital registered under these shareholders on December 31, 2016. This capitalization of share capital is applied retrospectively, as adjusted for the capital contributions by shareholders (Note 35), during the Track Record Period for the purpose of computation of basic earnings per share.

During the Track Record Period, there was no potential ordinary share outstanding. Accordingly, no diluted earnings per share is presented.

16. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the Track Record Period, nor has any dividend been proposed since the end of the Track Record Period.

17. PROPERTY AND EQUIPMENT

GROUP

	Year ended December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Equipment held for operating lease business	353,177	1,524,602	4,167,408
Property and equipment held for administrative purpose	23,836	53,560	50,020
Total	377,013	1,578,162	4,217,428

COMPANY

	Year ended December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Property and equipment held for administrative purpose	22,492	52,221	48,249

17a. Equipment held for operating lease business

GROUP

	Aircraft
	RMB'000
Cost	
As at January 1, 2016	–
Additions	353,215
Exchange difference	2,589
As at December 31, 2016	355,804
Accumulated depreciation	
As at January 1, 2016	–
Charge for the year	2,621
Exchange difference	6
As at December 31, 2016	2,627
Net carrying amount	
As at January 1, 2016	–
As at December 31, 2016	353,177
Cost	
As at January 1, 2017	355,804
Additions	1,242,515
Exchange difference	(34,772)
As at December 31, 2017	1,563,547
Accumulated depreciation	
As at January 1, 2017	2,627
Charge for the year	37,056
Exchange difference	(738)
As at December 31, 2017	38,945

	Aircraft
	RMB'000
Net carrying amount	
As at January 1, 2017	353,177
As at December 31, 2017	1,524,602
Cost	
As at January 1, 2018	1,563,547
Additions	2,645,476
Exchange difference	75,352
As at December 31, 2018	4,284,375
Accumulated depreciation	
As at January 1, 2018	38,945
Charge for the year	73,626
Exchange difference	4,396
As at December 31, 2018	116,967
Net carrying amount	
As at January 1, 2018	1,524,602
As at December 31, 2018	4,167,408

17b. Property and equipment held for administrative purpose

GROUP

	Motor vehicles	Electronic equipment	Office equipment	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost						
As at January 1, 2016	1,555	8,388	2,144	13,935	592	26,614
Additions	606	3,256	1,952	540	13,665	20,019
Transfer	–	294	56	3,540	(3,890)	–
Disposals	–	(321)	(441)	–	–	(762)
As at December 31, 2016	2,161	11,617	3,711	18,015	10,367	45,871
Accumulated depreciation						
As at January 1, 2016	1,159	5,769	1,273	11,431	–	19,632
Charge for the year	120	1,097	329	1,172	–	2,718
Eliminated on disposals	–	(152)	(163)	–	–	(315)
As at December 31, 2016	1,279	6,714	1,439	12,603	–	22,035
Net carrying amount						
As at January 1, 2016	396	2,619	871	2,504	592	6,982
As at December 31, 2016	882	4,903	2,272	5,412	10,367	23,836

	Motor vehicles	Electronic equipment	Office equipment	Leasehold land and buildings	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost							
As at January 1, 2017	2,161	11,617	3,711	–	18,015	10,367	45,871
Additions	1,851	6,408	981	18,550	1,894	7,278	36,962
Transfer	–	20	974	–	7,068	(8,062)	—
Disposals	(407)	(215)	(131)	–	–	–	(753)
As at December 31, 2017	3,605	17,830	5,535	18,550	26,977	9,583	82,080
Accumulated depreciation							
As at January 1, 2017	1,279	6,714	1,439	–	12,603	–	22,035
Charge for the year	207	2,604	782	462	2,956	–	7,011
Eliminated on disposals	(287)	(210)	(29)	–	–	–	(526)
As at December 31, 2017	1,199	9,108	2,192	462	15,559	–	28,520
Net carrying amount							
As at January 1, 2017	882	4,903	2,272	–	5,412	10,367	23,836
As at December 31, 2017	2,406	8,722	3,343	18,088	11,418	9,583	53,560

	Motor vehicles	Electronic equipment	Office equipment	Leasehold land and buildings	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost							
As at January 1, 2018	3,605	17,830	5,535	18,550	26,977	9,583	82,080
Additions	1,507	2,175	610	–	955	640	5,887
Transfer	–	293	308	–	2,567	(3,168)	–
Exchange differences	–	5	4	–	22	2	33
Disposals	–	(1,580)	(65)	–	–	–	(1,645)
As at December 31, 2018	5,112	18,723	6,392	18,550	30,521	7,057	86,355
Accumulated depreciation							
As at January 1, 2018	1,199	9,108	2,192	462	15,559	–	28,520
Charge for the year	538	3,429	1,092	503	3,813	–	9,375
Exchange differences	–	–	–	–	–	–	–
Eliminated on disposals	–	(1,500)	(60)	–	–	–	(1,560)
As at December 31, 2018	1,737	11,037	3,224	965	19,372	–	36,335
Net carrying amount							
As at January 1, 2018	2,406	8,722	3,343	18,088	11,418	9,583	53,560
As at December 31, 2018	3,375	7,686	3,168	17,585	11,149	7,057	50,020

COMPANY

	Motor vehicles	Electronic equipment	Office equipment	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost						
As at January 1, 2016	1,555	7,741	1,870	13,741	592	25,499
Additions	606	2,513	1,745	540	13,356	18,760
Transfer	–	294	54	3,291	(3,639)	–
Disposals	–	(39)	(338)	–	–	(377)
As at December 31, 2016	2,161	10,509	3,331	17,572	10,309	43,882
Accumulated depreciation						
As at January 1, 2016	1,159	5,576	1,129	11,319	–	19,183
Charge for the year	120	862	278	1,125	–	2,385
Eliminated on disposals	–	(27)	(151)	–	–	(178)
As at December 31, 2016	1,279	6,411	1,256	12,444	–	21,390
Net carrying amount						
As at January 1, 2016	396	2,165	741	2,422	592	6,316
As at December 31, 2016	882	4,098	2,075	5,128	10,309	22,492

	Motor vehicles	Electronic equipment	Office equipment	Leasehold land and buildings	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost							
As at January 1, 2017	2,161	10,509	3,331	–	17,572	10,309	43,882
Additions	1,851	6,407	672	18,550	1,894	7,040	36,414
Transfer	–	20	974	–	7,068	(8,062)	–
Disposals	(407)	(215)	(126)	–	–	–	(748)
As at December 31, 2017	3,605	16,721	4,851	18,550	26,534	9,287	79,548
Accumulated depreciation							
As at January 1, 2017	1,279	6,411	1,256	–	12,444	–	21,390
Charge for the year	207	2,255	655	462	2,879	–	6,458
Eliminated on disposals	(287)	(209)	(25)	–	–	–	(521)
As at December 31, 2017	1,199	8,457	1,886	462	15,323	–	27,327
Net carrying amount							
As at January 1, 2017	882	4,098	2,075	–	5,128	10,309	22,492
As at December 31, 2017	2,406	8,264	2,965	18,088	11,211	9,287	52,221

	Motor vehicles	Electronic equipment	Office equipment	Leasehold land and buildings	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost							
As at January 1, 2018	3,605	16,721	4,851	18,550	26,534	9,287	79,548
Additions	1,222	2,152	476	–	740	288	4,878
Transfer	–	136	241	–	2,149	(2,526)	–
Disposals	–	(1,570)	(51)	–	–	–	(1,621)
As at December 31, 2018	4,827	17,439	5,517	18,550	29,423	7,049	82,805
Accumulated depreciation							
As at January 1, 2018	1,199	8,457	1,886	462	15,323	–	27,327
Charge for the year	534	3,119	920	503	3,691	–	8,767
Eliminated on disposals	–	(1,491)	(47)	–	–	–	(1,538)
As at December 31, 2018	1,733	10,085	2,759	965	19,014	–	34,556
Net carrying amount							
As at January 1, 2018	2,406	8,264	2,965	18,088	11,211	9,287	52,221
As at December 31, 2018	3,094	7,354	2,758	17,585	10,409	7,049	48,249

18. INTANGIBLE ASSETS

GROUP

	Year ended December 31,		
COMPUTER SOFTWARE	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Cost			
At the beginning of the year	10,629	14,052	19,714
Additions	3,553	5,753	9,016
Disposals	(130)	(91)	(47)
At the end of the year	14,052	19,714	28,683
Accumulated amortization			
At the beginning of the year	8,315	9,799	11,298
Charge for the year	1,489	1,587	3,090
Eliminated on disposals	(5)	(88)	(47)
At the end of the year	9,799	11,298	14,341
Carrying amount			
At the beginning of the year	2,314	4,253	8,416
At the end of the year	4,253	8,416	14,342

COMPANY

COMPUTER SOFTWARE	Year ended December 31, 2016	2017	2018
	RMB'000	RMB'000	RMB'000
At the beginning of the year	10,008	13,216	18,468
Additions	3,332	5,343	8,549
Disposals	(124)	(91)	(47)
At the end of the year	13,216	18,468	26,970
Accumulated amortization			
At the beginning of the year	8,244	9,602	10,910
Charge for the year	1,360	1,396	2,785
Eliminated on disposals	(2)	(88)	(47)
At the end of the year	9,602	10,910	13,648
Carrying amount			
At the beginning of the year	1,764	3,614	7,558
At the end of the year	3,614	7,558	13,322

19. FINANCE LEASE RECEIVABLES

GROUP

	Year ended December 31, 2016	2017	2018
	RMB'000	RMB'000	RMB'000
Minimum finance lease receivables			
- Not later than one year	16,758,152	24,140,952	34,796,245
- Later than one year and not later than five years	25,433,806	25,036,034	34,344,977
- Later than five years	11,645	63,982	284,646
Gross amount of finance lease receivables	42,203,603	49,240,968	69,425,868
Less: Unearned finance lease income	(4,336,323)	(4,222,749)	(6,068,188)
Present value of minimum finance lease receivables	37,867,280	45,018,219	63,357,680
Less: Allowances for impairment losses	(1,312,060)	(1,482,043)	(1,704,968)
Carrying amount of finance lease receivables	36,555,220	43,536,176	61,652,712
Present value of minimum finance lease receivables			
- Not later than one year	15,036,290	22,070,701	31,754,869
- Later than one year and not later than five years	22,820,541	22,889,023	31,343,044
- Later than five years	10,449	58,495	259,767
Total	37,867,280	45,018,219	63,357,680

GROUP

	Year ended December 31, 2016	2017	2018
	RMB'000	RMB'000	RMB'000
Analyzed as:			
Current	14,519,336	21,323,548	30,828,048
Non-current	22,035,884	22,212,628	30,824,664
Total	36,555,220	43,536,176	61,652,712

COMPANY

	Year ended December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Minimum finance lease receivables			
- Not later than one year	15,366,152	22,725,288	33,174,121
- Later than one year and not later than five years	23,141,959	23,473,725	32,786,038
- Later than five years	11,645	63,982	40,151
Gross amount of finance lease receivables	38,519,756	46,262,995	66,000,310
Less: Unearned finance income	(4,009,597)	(3,992,389)	(5,646,125)
Present value of minimum finance lease receivables	34,510,159	42,270,606	60,354,185
Less: Allowances for impairment losses	(1,243,058)	(1,430,574)	(1,653,060)
Carrying amount of finance lease receivables	33,267,101	40,840,032	58,701,125
Present value of minimum finance lease receivables			
- Not later than one year	13,767,743	20,764,534	30,332,592
- Later than one year and not later than five years	20,731,967	21,447,577	29,983,607
- Later than five years	10,449	58,495	37,986
Total	34,510,159	42,270,606	60,354,185

	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Analyzed as:			
Current	13,276,932	20,041,846	29,430,350
Non-current	19,990,169	20,798,186	29,270,775
Total	33,267,101	40,840,032	58,701,125

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

The finance lease receivables at original cost of approximately RMB 26,282,711 thousand, RMB 21,588,946 thousand and RMB 21,192,138 thousand were pledged as collateral for the Group's bank borrowings as at December 31, 2016, 2017 and 2018 respectively.

The finance lease receivables at original cost of approximately RMB23,358,150 thousand, RMB 19,604,652 thousand and RMB 19,441,705 thousand were pledged as collateral for the Company's bank borrowings as at December 31, 2016, 2017 and 2018 respectively.

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

19a. Movements of allowance for impairment losses on finance lease receivables

GROUP

	Individual assessment	
	As at December 31,	
	2016	2017
	RMB'000	RMB'000
At the beginning of the year	262,743	338,375
Provision during the year	57,887	225,511
Recovery of finance lease receivables previously written off	29,154	18,657
Write-offs	(11,409)	(241,813)
At the end of the year	338,375	340,730

	Collective assessment	
	As at December 31,	
	2016	2017
	RMB'000	RMB'000
At the beginning of the year	544,839	973,685
Provision during the year	428,846	167,628
At the end of the year	973,685	1,141,313

	Total assessment	
	As at December 31,	
	2016	2017
	RMB'000	RMB'000
At the beginning of the year	807,582	1,312,060
Provision during the year	486,733	393,139
Recovery of finance lease receivables previously written off	29,154	18,657
Write-offs	(11,409)	(241,813)
At the end of the year	1,312,060	1,482,043

	Stage 1	Stage 2	Stage 3	
	12-months ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at December 31, 2017				1,482,043
Effect arising from adoption of IFRS 9				14,165
As at January 1, 2018				1,496,208
Changes in the loss allowance:				
- Transfer to Stage 1	5,364	(4,608)	(756)	–
- Transfer to Stage 2	(9,104)	144,490	(135,386)	–
- Transfer to Stage 3	(8,772)	(88,494)	97,266	–
- Recovery of finance lease receivables previously written off	–	–	20,261	20,261
- Write-offs and transfer	–	–	(533,562)	(533,562)
- Charged/(credited) to profit or loss	216,169	(38,984)	544,876	722,061
As at December 31, 2018				1,704,968

COMPANY

	Individual assessment	
	As at December 31,	
	2016	2017
	RMB'000	RMB'000
At the beginning of the year	262,626	338,258
Provision during the year	57,313	225,759
Recovery of finance lease receivables previously written off	29,154	18,353
Write-offs	(10,835)	(241,640)
At the end of the year	338,258	340,730

	Collective assessment	
	As at December 31,	
	2016	2017
	RMB'000	RMB'000
At the beginning of the year	516,645	904,800
Provision during the year	388,155	185,044
At the end of the year	904,800	1,089,844

	Total assessment	
	As at December 31,	
	2016	2017
	RMB'000	RMB'000
At the beginning of the year	779,271	1,243,058
Provision during the year	445,468	410,803
Recovery of finance lease receivables previously written off	29,154	18,353
Write-offs	(10,835)	(241,640)
At the end of the year	1,243,058	1,430,574

	Stage 1	Stage 2	Stage 3	
	12-months ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at December 31, 2017				1,430,574
Effect arising from adoption of IFRS 9				22,504
As at January 1, 2018				1,453,078
Changes in the loss allowance:				
- Transfer to Stage 1	5,364	(4,608)	(756)	–
- Transfer to Stage 2	(7,996)	143,382	(135,386)	–
- Transfer to Stage 3	(8,772)	(88,494)	97,266	–
- Recovery of finance lease receivables previously written off	–	–	20,063	20,063
- Write-offs and transfer	–	–	(533,312)	(533,312)
- Charged/(credited) to profit or loss	218,915	(50,509)	544,825	713,231
As at December 31, 2018				1,653,060

Note: For detailed credit risk management and impairment assessment, please refer to note 50.2.

20. INVESTMENT IN A JOINT VENTURE

GROUP/COMPANY

	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
The Group's share of profit from continuing operations	–	7,864	12,943
The Group's share of post-tax profit from discontinued operations	–	–	–
The Group's share of other comprehensive income	–	–	–
The Group's share of total comprehensive income	–	7,864	12,943
Effect arising from adoption of IFRS 9	–	–	(9)
Aggregate carrying amount of the Group's interests in the joint venture	–	232,864	245,798

Details of the Group's joint venture at the end of the reporting period are as follow:

Name of entity	Country of incorporation	Principal place of business	Proportion of ownership interest held by group			Principal activity
			2016	2017	2018	
Gui'an UT Financial Leasing (Shanghai) Co., Ltd. 貴安恒信融資租賃(上海)有限公司	PRC	PRC	–	15%	15%	Leasing

note: Despite holding 15% of the ownership interest of (貴安恒信融資租賃(上海)有限公司) (the "Joint Venture Company"), on June 8, 2017, the Company entered into an agreement with Haitong UT Capital Group Co., Limited ("the Parent Company"), pursuant to which the Company agreed to acquire 25% equity interest in the Joint Venture Company from the Parent Company. Under such agreement, the Company shall exercise, on behalf of the Parent Company, all shareholder's rights other than the rights to sell and to receive income (including cash dividend and stock dividend), including but not limited to the rights to decide and to vote and other shareholder's rights of such equity interests. Along with Parent Company, the Company has the right to appoint two out of five directors of the Joint Venture Company. No major operating decision is carried out unless more than two-thirds of the five directors attend the directors' meeting and all the attendant directors reach an agreement on it. The Company also has the right to nominate a candidate as the executive manager in charge of supervising the operational transactions and implementing the decisions for the board. Therefore, the Company is able to exercise joint control over this Joint Venture Company together with another equity holder Guizhou Gui'an Financial Investment Co., Ltd.

21. AVAILABLE-FOR-SALE FINANCIAL ASSETS

GROUP

	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Measured at fair value:			
Wealth management products	1,038,401	450,185	–
Structured notes	476,960	–	–
Measured at cost:			
Equity investment	10,915	16,914	–
Total	1,526,276	467,099	–
Analyzed as:			
Unlisted	1,526,276	467,099	–
Analyzed as:			
Current	1,238,987	450,185	–
Non-current	287,289	16,914	–
Total	1,526,276	467,099	–

note: As the reasonable range of fair value is so significant that the directors of the Company are of the opinion that the fair value cannot be measured reliably. The above equity investment is measured at cost less impairment as at December 31, 2016 and 2017.

On January 1, 2018, the Group adopted IFRS 9, thus the above financial assets held by the Group were subsequently measured at FVTPL, which are included in Note 27.

COMPANY

	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Measured at fair value:			
Wealth management products	1,038,401	450,185	–
Structured notes	122,602	–	–
Total	1,161,003	450,185	–
Analyzed as:			
Unlisted	1,161,003	450,185	–
Analyzed as:			
Current	1,038,401	450,185	–
Non-current	122,602	–	–
Total	1,161,003	450,185	–

note: On January 1, 2018, the Group adopted IFRS 9, thus the above financial assets held by the Company were subsequently measured at FVTPL, which are included in Note 27.

22. LOANS AND RECEIVABLES

GROUP

	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Factoring receivables	3,954,006	10,776,874	6,346,945
Entrusted loans and other loans	690,184	1,038,837	889,250
Subtotal of loans and receivables	4,644,190	11,815,711	7,236,195
Less: Provisions for factoring receivables	(80,934)	(274,375)	(442,965)
Provisions for entrusted loans and other loans	(14,155)	(20,007)	(92,835)
Total	4,549,101	11,521,329	6,700,395

	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Analyzed as:			
Current	2,558,333	7,573,784	4,276,336
Non-current	1,990,768	3,947,545	2,424,059
Total	4,549,101	11,521,329	6,700,395

COMPANY

	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Factoring receivables	3,509,268	10,516,294	6,221,881
Entrusted loans	690,184	922,669	704,697
Subtotal of loans and receivables	4,199,452	11,438,963	6,926,578
Less: Provisions for factoring receivables	(74,221)	(269,202)	(440,419)
Provisions for entrusted loans	(14,155)	(16,677)	(88,005)
Total	4,111,076	11,153,084	6,398,154

	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Analyzed as:			
Current	2,242,306	7,355,654	4,060,263
Non-current	1,868,770	3,797,430	2,337,891
Total	4,111,076	11,153,084	6,398,154

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

GROUP

	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Not later than one year	2,512,709	7,472,561	4,210,447
Later than one year and not later than five years	1,717,336	3,968,903	2,544,617
Later than five years	149,695	141,017	142,785
Gross amount of factoring receivables	4,379,740	11,582,481	6,897,849
Less: Interest adjustment	(425,734)	(805,607)	(550,904)
Present value of factoring receivables	3,954,006	10,776,874	6,346,945
Less: Allowance for impairment	(80,934)	(274,375)	(442,965)
Carrying amount of factoring receivables	3,873,072	10,502,499	5,903,980
Present value of factoring receivables:			
- Not later than one year	2,268,461	6,952,815	3,874,175
- Later than one year and not later than five years	1,550,402	3,692,850	2,341,388
- Later than five years	135,143	131,209	131,382
Total	3,954,006	10,776,874	6,346,945

Change in provision for factoring receivables:

	Individual assessment	
	As at December 31,	
	2016	2017
	RMB'000	RMB'000
At the beginning of the year	–	–
Provision during the year	–	43,650
At the end of the year	–	43,650

	Collective assessment	
	As at December 31,	
	2016	2017
	RMB'000	RMB'000
At the beginning of the year	21,745	80,934
Provision during the year	59,189	149,791
At the end of the year	80,934	230,725

	Total assessment	
	As at December 31,	
	2016	2017
	RMB'000	RMB'000
At the beginning of the year	21,745	80,934
Provision during the year	59,189	193,441
At the end of the year	80,934	274,375

	Stage 1	Stage 2	Stage 3	
	12-months ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at December 31, 2017				274,375
Effect arising from adoption of IFRS 9				259,273
As at January 1, 2018				533,648
Changes in the loss allowance:				
- Transfer to Stage 1	141,529	(141,529)	–	–
- Transfer to Stage 2	(29,678)	29,678	–	–
- Transfer to Stage 3	(264)	–	264	–
- Write-offs	–	–	(68,033)	(68,033)
- (Credited)/charged to profit or loss	(244,713)	219,463	2,600	(22,650)
As at December 31, 2018				442,965

COMPANY

	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Not later than one year	2,169,839	7,284,752	4,107,143
Later than one year and not later than five years	1,584,975	3,883,391	2,519,421
Later than five years	149,695	141,017	142,785
Gross amount of factoring receivables	3,904,509	11,309,160	6,769,349
Less: Interest adjustment	(395,241)	(792,866)	(547,468)
Present value of factoring receivables	3,509,268	10,516,294	6,221,881
Less: Allowance for impairment	(74,221)	(269,202)	(440,419)
Carrying amount of factoring receivables	3,435,047	10,247,092	5,781,462
Present value of factoring receivables:			
- Not later than one year	1,947,591	6,773,761	3,773,633
- Later than one year and not later than five years	1,426,534	3,611,324	2,316,866
- Later than five years	135,143	131,209	131,382
Total	3,509,268	10,516,294	6,221,881

Change in provision for factoring receivables:

	Individual assessment	
	As at December 31,	
	2016	2017
	RMB'000	RMB'000
At the beginning of the year		
Provision during the year	–	43,650
At the end of the year	–	43,650

	Collective assessment	
	As at December 31,	
	2016	2017
	RMB'000	RMB'000
At the beginning of the year	21,745	74,221
Provision during the year	52,476	151,331
At the end of the year	74,221	225,552

	Total assessment	
	As at December 31,	
	2016	2017
	RMB'000	RMB'000
At the beginning of the year	21,745	74,221
Provision during the year	52,476	194,981
At the end of the year	74,221	269,202

	Stage 1	Stage 2	Stage 3	
	12-months ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at December 31, 2017				269,202
Effect arising from adoption of IFRS 9				258,503
As at January 1, 2018				527,705
Changes in the loss allowance:				
- Transfer to Stage 1	141,529	(141,529)	–	–
- Transfer to Stage 2	(29,678)	29,678	–	–
- Transfer to Stage 3	(264)	–	264	–
- Write-offs	–	–	(68,033)	(68,033)
- (Credited)/charged to profit or loss	(241,316)	219,463	2,600	(19,253)
As at December 31, 2018				440,419

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

GROUP

	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Not later than one year	344,616	831,271	751,945
Later than one year and not later than five years	345,568	182,494	121,709
Later than five years	–	25,072	15,596
Gross amount of entrusted loans and other loans	690,184	1,038,837	889,250
Less: Allowance for impairment	(14,155)	(20,007)	(92,835)
Carrying amount of entrusted loans and other loans	676,029	1,018,830	796,415

Change in provision for entrusted loans and other loans:

	As at December 31,	
	2016	2017
	RMB'000	RMB'000
At the beginning of the year	8,623	14,155
Provision during the year	5,532	5,902
Exchange differences arising on translation	–	(50)
At the end of the year	14,155	20,007

	Stage 1	Stage 2	
	12-months ECL	Lifetime ECL not credit-impaired	Total
	RMB'000	RMB'000	RMB'000
As at December 31, 2017			20,007
Effect arising from adoption of IFRS 9			18,285
As at January 1, 2018			38,292
Changes in the loss allowance:			
- Transfer to Stage 2	(950)	950	–
- Charged to profit or loss	42,409	11,900	54,309
- Exchange differences arising on translation	234	–	234
As at December 31, 2018			92,835

COMPANY

	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Not later than one year	344,616	787,069	630,813
Later than one year and not later than five years	345,568	118,935	63,303
Later than five years	–	16,665	10,581
Gross amount of entrusted loans	690,184	922,669	704,697
Less: Allowance for impairment	(14,155)	(16,677)	(88,005)
Carrying amount of entrusted loans	676,029	905,992	616,692

Change in provision for entrusted loans:

	Collective assessment	
	As at December 31,	
	2016	2017
	RMB'000	RMB'000
At the beginning of the year	8,623	14,155
Provision during the year	5,532	2,522
At the end of the year	14,155	16,677

	Stage 1	Stage 2	
	12-months ECL	Lifetime ECL not credit-impaired	Total
	RMB'000	RMB'000	RMB'000
As at December 31, 2017			16,677
Effect arising from adoption of IFRS 9			18,026
As at January 1, 2018			34,703
Changes in the loss allowance:			
- Transfer to Stage 2	(950)	950	–
- Charged to profit or loss	41,402	11,900	53,302
As at December 31, 2018			88,005

23. DEFERRED TAXATION

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

GROUP

	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Deferred tax assets	353,129	501,210	727,607
Deferred tax liabilities	–	(3,421)	(12,319)
	353,129	497,789	715,288

COMPANY

	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Deferred tax assets	322,459	475,006	706,925

The following are the major deferred tax assets/(liabilities) recognized and movements thereon in the Track Record Period:

GROUP

	Allowance for impairment losses	Changes in fair value of derivatives	Changes in fair value of financial assets at fair value through profit and loss	Deductible tax losses	Changes in fair value of available-for-sale financial assets	Accelerated depreciation	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2016	240,226	(744)	–	–	(304)	–	4,854	244,032
Credit/(charge) to profit or loss	111,449	(6,584)	–	5,368	–	–	–	110,233
Charge to other comprehensive income	–	–	–	–	(1,136)	–	–	(1,136)
As at December 31, 2016 and January 1, 2017	351,675	(7,328)	–	5,368	(1,440)	–	4,854	353,129
Credit/(charge) to profit or loss	142,746	8,797	–	6,209	–	(9,687)	(4,854)	143,211
Charge to other comprehensive income	–	–	–	–	1,394	–	–	1,394
Effect of exchange rates	(2)	–	–	(78)	–	135	–	55
As at December 31,2017	494,419	1,469	–	11,499	(46)	(9,552)	–	497,789
Effect arising from adoption of IFRS 9	73,137	–	(46)	–	46	–	–	73,137
As at January 1, 2018	567,556	1,469	(46)	11,499	–	(9,552)	–	570,926
Credit/(charge) to profit or loss	164,797	(2,407)	(10,075)	8,895	–	(16,580)	–	144,630
Effect of exchange rates	8	10	–	742	–	(1,028)	–	(268)
As at December 31, 2018	732,361	(928)	(10,121)	21,136	–	(27,160)	–	715,288

COMPANY

	Allowance for impairment losses	Changes in fair value of derivatives	Changes in fair value of financial assets at fair value through profit and loss	Changes in fair value of available-for-sale financial assets	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2016	221,315	(744)	–	(304)	4,854	225,121
Credit/(charge) to profit or loss	104,868	(6,584)	–	–	–	98,284
Charge to other comprehensive income	–	–	–	(946)	–	(946)
As at December 31, 2016 and January 1, 2017	326,183	(7,328)	–	(1,250)	4,854	322,459
Credit/(charge) to profit or loss	147,400	8,797	–	–	(4,854)	151,343
Charge to other comprehensive income	–	–	–	1,204	–	1,204
As at December 31, 2017	473,583	1,469	–	(46)	–	475,006
Effect arising from adoption of IFRS 9	75,001	–	(46)	46	–	75,001
As at January 1, 2018	548,584	1,469	(46)	–	–	550,007
Credit/(charge) to profit or loss	163,305	(2,103)	(4,284)	–	–	156,918
As at December 31, 2018	711,889	(634)	(4,330)	–	–	706,925

24. OTHER ASSETS

GROUP

Non-current

	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Repossession of finance lease assets	36,631	22,776	144,596
Others	7,559	7,505	7,505
Sub-total	44,190	30,281	152,101
Less: Allowances for impairment losses on repossession of finance lease assets	(19,181)	(1,182)	(3,515)
Total	25,009	29,099	148,586

GROUP

Current

	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
VAT tax credit and provisional VAT tax	76,199	150,871	148,513
Prepayments	35,020	8,537	56,212
Interest receivable	6,446	16,327	22,273
Preservation fees for legal proceedings	5,321	7,564	16,550
Deposits for legal proceedings	2,188	25	25
Notes receivable	30	1,000	1,000
Deferred share issue costs	–	10,269	17,125
Receivables from related parties	–	152	–
Project deposit (note)	–	–	335,000
Properties under development	–	–	96,836
Others	8,192	20,102	34,206
Sub-total	133,396	214,847	727,740
Less: Allowances for impairment losses on current other assets	–	–	(1,824)
Total	133,396	214,847	725,916

note: On April 28, 2018 and December 11, 2018, the Company paid RMB285 million and 50 million separately as deposit for the government outsourcing business project.

Movement of allowances for impairment losses on other assets during the Track Record Period is as follows:

	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
At the beginning of the year	21,716	19,181	1,182
Effect arising from adoption of IFRS9	–	–	1,155
Provision during the year	4,219	1,402	4,169
Write-offs	(6,754)	(19,401)	(1,172)
Exchange differences arising on translation	–	–	5
At the end of the year	19,181	1,182	5,339

COMPANY

Non-current

	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Repossession of finance lease assets	35,128	22,776	144,596
Amount due from subsidiaries (note)	–	–	112,027
Others	7,559	7,505	7,505
Sub-total	42,687	30,281	264,128
Less: Allowances for impairment losses on repossession of finance lease assets	(19,181)	(1,182)	(3,515)
Total	23,506	29,099	260,613

Current

	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
VAT tax credit and provisional VAT tax	75,928	147,341	120,941
Amount due from subsidiaries (note)	42,261	99,853	113,430
Prepayments	34,234	7,337	6,608
Interest receivable	6,446	14,795	18,191
Preservation fees for legal proceedings	5,321	7,564	16,550
Deposits for legal proceedings	2,188	25	25
Notes receivable	30	1,000	1,000
Deferred share issue costs	–	10,269	17,125
Project deposit	–	–	285,000
Others	7,998	13,931	13,070
Sub-total	174,406	302,115	591,940
Less: Allowances for impairment losses on current other assets	–	–	(1,480)
Total	174,406	302,115	590,460

note: All of the amount due from subsidiaries are non-trade nature, interest free and repayable on demand, except from RMB 156,527 thousand as at December 31, 2018 which is non-trade nature and carries interest rate of 12.8% per annum.

Movement of allowances for impairment losses on other assets during the Track Record Period is as follows:

	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
At the beginning of the year	21,716	19,181	1,182
Effect arising from adoption of IFRS9	–	–	1,135
Provision during the year	4,219	1,402	3,850
Write-offs	(6,754)	(19,401)	(1,172)
At the end of the year	19,181	1,182	4,995

25. ACCOUNTS RECEIVABLE

GROUP

	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Accounts receivable of services	79,793	758	2,920
Accounts receivable of trading	4,016	4,016	4,016
Accounts receivable of operating lease	–	–	10,552
Accounts receivable of settlement of finance lease receivable	–	–	28,000
Sub-total	83,809	4,774	45,488
Less: Allowances for impairment losses			
- Accounts receivable of services	(1,440)	(424)	(42)
- Accounts receivable of trading	(4,016)	(4,016)	(4,016)
- Accounts receivable of operating lease	–	–	(53)
- Accounts receivable of settlement of finance lease receivable	–	–	(140)
Total	78,353	334	41,237

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

	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Within one year	78,349	329	41,109
More than one year but not exceeding three years	4	5	121
More than three year	–	–	7
Total	78,353	334	41,237

Movement of allowances for impairment losses on accounts receivable during the Track Record Period is as follows:

	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
At the beginning of the year	4,016	5,456	4,440
Effect arising from adoption of IFRS 9	–	–	(403)
Provision/(reversal) during the year	1,465	(953)	651
Write-offs	(25)	(63)	(438)
Exchange differences arising on translation	–	–	1
At the end of the year	5,456	4,440	4,251

COMPANY

	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Accounts receivable of services	79,356	255	2,836
Accounts receivable of settlement of finance lease receivable	–	–	28,000
Sub-total	79,356	255	30,836
Less: Allowances for impairment losses			
- Accounts receivable of services	(1,269)	(178)	(29)
- Accounts receivable of settlement of finance lease receivable	–	–	(140)
Total	78,087	77	30,667

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

	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Within one year	78,087	72	30,610
More than one year but not exceeding three years	–	5	57
Total	78,087	77	30,667

Movement of allowances for impairment losses on accounts receivable during the Track Record Period is as follows:

	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
At the beginning of the year	–	1,269	178
Effect arising from adoption of IFRS9	–	–	(172)
Provision/(reversal) during the year	1,269	(1,091)	336
Write-offs	–	–	(173)
At the end of the year	1,269	178	169

26. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

GROUP

	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Treasury bonds held under resale agreements	528,900	–	–
Finance lease receivable held under resale agreements	–	–	987,600
Sub-total	528,900	–	987,600
Less: Impairment for financial assets held under resale agreement	–	–	(6,764)
Total	528,900	–	980,836

COMPANY

	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Treasury bonds held under resale agreements	375,400	–	–
Finance lease receivable held under resale agreements	–	–	987,600
Sub-total	375,400	–	987,600
Less: Impairment for financial assets held under resale agreement	–	–	(6,764)
Total	375,400	–	980,836

27. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

GROUP

	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Measured at fair value:			
Monetary fund	950,679	–	1,895,563
Equity investment	–	–	36,078
Structured deposits	–	–	430,756
Total	950,679	–	2,362,397
Analyzed as:			
Unlisted	950,679	–	2,362,397
Analyzed as:			
Current	950,679	–	2,326,319
Non-current	–	–	36,078
Total	950,679	–	2,362,397

COMPANY

	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Measured at fair value:			
Monetary fund	950,679	–	1,519,565
Structured deposits	–	–	430,756
Total	950,679	–	1,950,321
Analyzed as:			
Unlisted	950,679	–	1,950,321
Analyzed as:			
Current	950,679	–	1,950,321

28. DERIVATIVE FINANCIAL INSTRUMENTS

GROUP/COMPANY

	As at December 31, 2016		
	Nominal Amount	Assets	Liabilities
	RMB'000	RMB'000	RMB'000
Interest rate swaps	443,968	2,117	–
Currency forwards	471,993	27,193	–
Total	915,961	29,310	–

	As at December 31, 2017		
	Nominal Amount	Assets	Liabilities
	RMB'000	RMB'000	RMB'000
Interest rate swaps	418,189	1,925	–
Currency forwards	533,877	–	(7,802)
Total	952,066	1,925	(7,802)

GROUP

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

COMPANY

	As at December 31, 2018		
	Nominal Amount	Assets	Liabilities
	RMB'000	RMB'000	RMB'000
Interest rate swaps	1,372,640	–	(2,559)
Currency forwards	1,987,938	7,814	(2,720)
Total	3,360,578	7,814	(5,279)

note: Interest rate swaps ("IRS") is measured at the fair value. The United States Dollar contract period lasts for one to three years. As at December 31, 2016, fixed interest rates for United States Dollors ("USD") IRS were ranging from 3.24% to 3.38% and floating interest rates were 3 month USD London Interbank offered Rate ("LIBOR") plus 275 basis point ("BP"). As at December 31, 2017, fixed interest rates for USD IRS were 3.278% and floating interest rates were 3 month USD LIBOR plus 230BP. As at December 31, 2018, fixed interest rate for USD IRS was 2.344% to 2.82%.

As at December 31, 2016 and 2017 and 2018, currency forwards with forward exchange rate of buying USD and selling RMB ranged from6.5530 to 6.7229, 6.6370 to 6.7229 and 6.7270 to 6.9110 respectively.

29. CASH AND BANK BALANCES

GROUP

	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Restricted bank deposits (note)	219,039	627,702	621,254
Cash and bank balances	650,878	1,969,639	3,662,767
Less: Impairment for bank deposits	–	–	(64)
Total	869,917	2,597,341	4,283,957

COMPANY

	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Restricted bank deposits (note)	219,039	144,127	115,469
Cash and bank balances	618,067	1,419,354	3,200,223
Less: Impairment for bank deposits	–	–	(12)
Total	837,106	1,563,481	3,315,680

note: Bank deposits were all restricted for use, which represented the pledged deposit held by the Group and the Company in relation to the notes payable, borrowings and maintenance funds as at December 31, 2016, 2017 and 2018.

30. BORROWINGS

GROUP

	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Bank borrowings	21,588,932	22,933,396	29,924,523
Income certificates issued	377,220	–	–
Borrowings from the related parties	2,489,425	1,874,445	1,074,090
Total	24,455,577	24,807,841	30,998,613
Analyzed as:			
Current	13,219,964	15,116,204	18,162,075
Non-current	11,235,613	9,691,637	12,836,538
Total	24,455,577	24,807,841	30,998,613

COMPANY

	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Bank borrowings	19,527,948	21,025,360	25,874,788
Income certificates issued	377,220	–	–
Borrowings from the related parties	2,489,425	703,000	–
Total	22,394,593	21,728,360	25,874,788
Analyzed as:			
Current	12,074,354	13,079,174	16,010,296
Non-current	10,320,239	8,649,186	9,864,492
Total	22,394,593	21,728,360	25,874,788

30a. Bank borrowings

GROUP

	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Secured borrowings	16,801,826	13,796,278	14,554,581
Unsecured and unguaranteed borrowings	4,787,106	9,137,118	14,856,575
Guaranteed borrowings	–	–	513,367
Total	21,588,932	22,933,396	29,924,523
Analyzed as:			
Current	11,822,744	13,241,759	17,087,985
Non-current	9,766,188	9,691,637	12,836,538
Total	21,588,932	22,933,396	29,924,523

	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Carrying amount repayable:			
Not later than one year	11,822,744	13,241,759	17,087,985
Later than one year and not later than two years	2,901,660	6,440,844	7,974,056
Later than two years and not later than five years	6,864,528	2,798,419	3,330,063
Over five years	–	452,374	1,532,419
Total	21,588,932	22,933,396	29,924,523

The secured borrowings were pledged by finance lease receivables, bank deposits and aircrafts. Certain secured borrowings were also pledged by the Company's equity interests in subsidiaries. Refer to Note 19 and 29 for details.

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

	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Contractual interest rate:			
Fixed-rate borrowing	3.7%-4.5675%	4.275%-5.35%	3.25%-5.65%
Floating-rate borrowings	PBOC Rate *80%-110%	PBOC Rate *63%-125%	PBOC Rate *90%-132.18%

COMPANY

	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Secured borrowings	14,890,843	11,928,925	10,857,989
Unsecured and unguaranteed borrowings	4,637,105	9,096,435	14,503,432
Guaranteed borrowings	–	–	513,367
Total	19,527,948	21,025,360	25,874,788

	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Analyzed as:			
Current	10,677,134	12,376,174	16,010,296
Non-current	8,850,814	8,649,186	9,864,492
Total	19,527,948	21,025,360	25,874,788

	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Carrying amount repayable:			
Not later than one year	10,677,134	12,376,174	16,010,296
Later than one year and not later than two years	2,462,684	6,149,415	7,472,307
Later than two years and not later than five years	6,388,130	2,499,771	2,392,185
Total	19,527,948	21,025,360	25,874,788

All secured borrowings were pledged by finance lease receivables and bank deposits. Refer to Note 19 and 29 for details.

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

	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Contractual interest rate:			
Fixed-rate borrowings	3.7%-4.5675%	4.275%-5.35%	3.25%-5.65%
Floating-rate borrowings.	PBOC Rate *90%-110%	PBOC Rate *90%-125%	PBOC Rate *90%-132.18%

30b. Income certificates issued

GROUP/COMPANY

	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Unsecured and unguaranteed income certificates issued	377,220	–	–
Total	377,220	–	–
Analyzed as:			
Current	377,220	–	–
Total	377,220	–	–

	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Carrying amount repayable:			
Not later than one year	377,220	–	–
Total	377,220	–	–

The ranges of contractual interest rate on the Group/Company's income certificates issued are as follows:

	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Contractual interest rate:			
Fixed-rate borrowings	3.7%-4.25%	NA	NA

30c. Borrowings from the related parties

GROUP

	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Carrying amount repayable			
Not later than one year	1,020,000	1,874,445	1,074,090
Later than one year and not later than two years	1,469,425	–	–
Total	2,489,425	1,874,445	1,074,090

note: As at December 31, 2016, 2017 and 2018, the borrowings from the related parties were all unsecured, and the effective interest rate per annum of Group were ranging 5.35% to 6.55%, 3.50% to 5.35% and 2.70% to 5.52%, respectively.

COMPANY

	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Carrying amount repayable:			
Not later than one year	1,020,000	703,000	–
Later than one year and not later than two years	1,469,425	–	–
Total	2,489,425	703,000	–

31. ACCRUED STAFF COSTS

GROUP

	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Salaries, bonus and allowances	95,000	117,585	138,193
Others	272	–	–
Total	95,272	117,585	138,193

COMPANY

	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Salaries, bonus and allowances	83,500	95,934	105,573
Other	179	–	–
Total	83,679	95,934	105,573

32. ACCOUNTS PAYABLES

GROUP

	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Payable for acquisition of leasing equipment and factoring	567,491	819,401	401,138
Analyzed by aging as:			
Within 60 days	490,188	574,173	289,209
More than 61 days but not exceeding 90 days	20,036	–	6,856
More than 91 days	57,267	245,228	105,073
Total	567,491	819,401	401,138

COMPANY

	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Payable for acquisition of leasing equipment and factoring	567,491	694,401	194,147
Analyzed by aging as:			
Within 60 days	490,188	574,173	164,188
More than 61 days but not exceeding 90 days	20,036	–	6,856
More than 91 days	57,267	120,228	23,103
Total	567,491	694,401	194,147

33. BONDS PAYABLE

GROUP/COMPANY

	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Analyzed as:			
Current	1,179,293	6,074,368	12,856,859
Non-current	3,820,065	9,969,987	14,594,792
Total	4,999,358	16,044,355	27,451,651

33a. Bonds payable by nature

GROUP/COMPANY

	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Private placement notes (note i)	–	796,401	3,289,130
Short-term commercial paper (note ii)	–	999,550	2,247,710
Asset-backed notes (note iii)	–	1,352,992	2,835,002
Fixed medium-term notes (note iv)	1,991,274	1,595,574	3,390,861
Corporate bonds (note v)	–	2,486,551	3,685,031
Asset-backed securities (note vi)	3,008,084	4,217,079	9,006,332
Ultra-short-term commercial paper (note vii)	–	4,596,208	2,997,585
Total	4,999,358	16,044,355	27,451,651

Note i:

On November 9, 2017, the Company issued private placement notes at par with principal amount of RMB 800 million, coupon rate of 5.80% and a maturity period of 3 years.

On February 7, 2018, the Company issued private placement notes at par with principal amount of RMB 600 million, coupon rate of 6.35% and a maturity period of 3 years.

On June 13, 2018, the Company issued private placement notes at par with principal amount of RMB 500 million, coupon rate of 6.50% and a maturity period of 3 years.

On November 27, 2018, the Company issued private placement notes at par with principal amount of RMB 800 million, coupon rate of 5.20% and a maturity period of 3 years.

From December 10 to 11, 2018, the Company issued private placement notes at par with principal amount of RMB 600 million, coupon rate of 5.13% and a maturity period of 2 years.

Note ii:

On March 6, 2017, the Company issued short-term commercial paper at par with principal amount of RMB 1,000 million, coupon rate of 4.63% and a maturity period of 1 year.

On March 23, 2018, the Company issued short-term commercial paper at par with principal amount of RMB 1,250 million, coupon rate of 5.00% and a maturity period of 1 year.

On October 29, 2018, the Company issued short-term commercial paper at par with principal amount of RMB 1,000 million, coupon rate of 4.30% and a maturity period of 1 year.

Note iii:

On November 22, 2017, the Company issued asset-backed notes with two tranches: senior tranche with principal amount of RMB 1,360 million, coupon rate of 5.80% and a maturity period of 34 months; junior tranche with principal amount of RMB 70 million and a maturity period of 37 months. The Company holds all junior tranche asset-backed notes.

From July 27 to July 30, 2018, the Company issued asset-backed notes with two tranches: senior tranche with principal amount of RMB 950 million, coupon rate of 4.90%, 5.00% and 6.20%, and a

maturity period of 9 months, 19 months and 27 months; junior tranche with principal amount of RMB 50 million and a maturity period of 27 months. The Company holds all junior tranche asset-backed notes.

From December 21 to December 24, 2018, the Company issued asset-backed medium-term notes with two tranches: senior tranche with principal amount of RMB 950 million, coupon rate of 4.50%, 4.80% and 5.90%, and a maturity period of 11months, 24 months and 33 months; junior tranche with principal amount of RMB 50 million and a maturity period of 35 months. The Company holds all junior tranche asset-backed notes.

Note iv:

On January 19, 2016, the Company issued fixed medium-term note at par with principal amount of RMB 400 million, coupon rate of 3.60% and a maturity period of 3 years.

On June 3, 2016, the Company issued fixed medium-term notes at par with principal amount of RMB 600 million, coupon rate of 4.07% and a maturity period of 5 years. The issuer has an option to adjust the interest rate and the investors have an option to sell the notes back to the issuer at the end of the third year.

On July 13, 2016, the Company issued fixed medium-term notes at par with principal amount of RMB 600 million, coupon rate of 3.70% and a maturity period of 5 years. The issuer has an option to adjust the interest rate and the investors have an option to sell the notes back to the issuer at the end of the third year.

On March 20, 2018, the Company issued fixed medium-term notes at par with principal amount of RMB 1,000 million, coupon rate of 5.77% and a maturity period of 3 years.

On April 24, 2018, the Company issued fixed medium-term notes at par with principal amount of RMB 800 million, coupon rate of 5.23% and a maturity period of 3 years.

Note v:

On June 19, 2017, the Company issued corporate bonds at par with principal amount of RMB 1,500 million, coupon rate of 4.95% and a maturity period of 3 years.

On July 19, 2017, the Company issued corporate bonds at par with principal amount of RMB 1,000 million, coupon rate of 4.70% and a maturity period of 3 years.

On September 20, 2018, the Company issued corporate bonds at par with principal amount of RMB 800 million, coupon rate of 5.05% and a maturity period of 3 years.

On October 24, 2018, the Company issued corporate bonds at par with principal amount of RMB 400 million, coupon rate of 4.85% and a maturity period of 3 years.

Note vi:

On May 7, 2015, the Company issued asset-backed securities with two tranches: senior tranche with principal amount of RMB 1,348 million, coupon rate of 5.60%-6.55% and a maturity period of 51 months, and the principal amount is repaid by installment; junior tranche with principal amount of RMB 14 million and a maturity period of 51 months. The Company holds all junior tranche asset-backed securities.

On April 22, 2016, the Company issued asset-backed securities with two tranches: senior tranche with principal amount of RMB 1,140 million, coupon rate of 4.50% and a maturity period of 35 months; junior tranche with principal amount of RMB 60 million and a maturity period of 35 months. The Company holds all junior tranche asset-backed securities.

On November 15, 2016, the Company issued asset-backed securities with two tranches: senior tranche with principal amount of RMB 1,425 million, coupon rate of 3.72% and a maturity period of 36 months; junior tranche with principal amount of RMB 75 million and a maturity period of 36 months. The Company holds all junior tranche asset-backed securities.

On August 4, 2017, the Company issued asset-backed securities with two tranches: senior tranche with principal amount of RMB 1,568 million, coupon rate of 5.40% and a maturity period of 35 months; junior tranche with principal amount of RMB 83 million and a maturity period of 35 months. The Company holds all junior tranche asset-backed securities.

On January 17, 2018, the Company issued asset-backed securities with two tranches: senior tranche with principal amount of RMB 1,070 million, coupon rate of 5.90%, 6.09% and 6.20%; and a maturity period of 32 months; junior tranche with principal amount of RMB 44 million and a maturity period of 50 months. The Company holds senior tranche asset-backed securities with amount of RMB 270 million and all junior tranche asset-backed securities.

On April 27, 2018, the Company issued asset-backed securities with two tranches: senior tranche with principal amount of RMB 960 million, coupon rate of 5.10%, 5.40% and 6.10%; and a maturity period of 33 months; junior tranche with principal amount of RMB 44 million and a maturity period of 33 months. The Company holds all junior tranche asset-backed securities.

On June 15, 2018, the Company issued asset-backed securities with two tranches: senior tranche with principal amount of RMB 1,425 million, coupon rate of 5.49%, 4.70% and 5.84%, and a maturity period of 32 months; junior tranche with principal amount of RMB 75 million and a maturity period of 32 months. The Company holds all junior tranche asset-backed securities.

On August 14, 2018, the Company issued asset-backed securities with two tranches: senior tranche with principal amount of RMB 980 million, coupon rate of 4.50%, 4.85% and 5.83%, and a maturity period of 30 months; junior tranche with principal amount of RMB 70 million and a maturity period of 33 months. The Company holds all junior tranche asset-backed securities.

On September 14, 2018, the Company issued asset-backed securities with two tranches: senior tranche with principal amount of RMB 950 million, coupon rate of 5.00%, and a maturity period of 14 months; junior tranche with principal amount of RMB 50 million and a maturity period of 23 months. The Company holds all junior tranche asset-backed securities.

On November 23, 2018, the Company issued asset-backed securities with two tranches: senior tranche with principal amount of RMB 1,370 million, coupon rate of 4.66%, 4.73% and 5.80%, and a maturity period of 31 months; junior tranche with principal amount of RMB 75 million and a maturity period of 37 months. The Company holds all junior tranche asset-backed securities.

On December 27, 2018, the Company issued asset-backed securities with two tranches: senior tranche with principal amount of RMB 950 million, coupon rate of 5.00%, and 5.50%, and a maturity period of 17 months; junior tranche with principal amount of RMB 50 million and a maturity period of 36 months. The Company holds all junior tranche asset-backed securities.

Note vii:

On August 1, 2017, the Company issued ultra-short-term commercial paper at par with principal amount of RMB 1,000 million, coupon rate of 4.66% and a maturity period of 270 days.

On October 16, 2017, the Company issued ultra-short-term commercial paper at par with principal amount of RMB 1,000 million, coupon rate of 4.88% and a maturity period of 270 days.

On October 23, 2017, the Company issued ultra-short-term commercial paper at par with principal amount of RMB 1,000 million, coupon rate of 4.95% and a maturity period of 270 days.

On November 15, 2017, the Company issued ultra-short-term commercial paper at par with principal amount of RMB 1,000 million, coupon rate of 5.25% and a maturity period of 270 days.

On December 18, 2017, the Company issued ultra-short-term commercial paper at par with principal amount of RMB 600 million, coupon rate of 5.49% and a maturity period of 150 days.

On March 1, 2018, the Company issued ultra-short-term commercial paper at par with principal amount of RMB 1,000 million, coupon rate of 5.27% and a maturity period of 270 days.

On May 28, 2018, the Company issued ultra-short-term commercial paper at par with principal amount of RMB 1,000 million, coupon rate of 5.32% and a maturity period of 270 days.

On July 4, 2018, the Company issued ultra-short-term commercial paper at par with principal amount of RMB 1,000 million, coupon rate of 4.67% and a maturity period of 140 days.

On November 20, 2018, the Company issued ultra-short-term commercial paper at par with principal amount of RMB 1,000 million, coupon rate of 3.94% and a maturity period of 270 days.

On December 13, 2018, the Company issued ultra-short-term commercial paper at par with principal amount of RMB 1,000 million, coupon rate of 4.00% and a maturity period of 270 days.

34. OTHER LIABILITIES

GROUP

	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Current			
Amounts due to holding companies (note i)	461,739	81,284	3,994
Deposits due within one year	534,989	1,118,493	1,892,549
Deferred revenue	50,192	80,067	150,771
Interest payable	136,457	309,454	527,736
Notes payable	151,397	156,223	358,796
Advance receipt	–	–	4,710
Other taxes payable	9,585	6,166	3,545
Accrued expenses	24,924	51,203	96,266
Other payables	26,376	70,918	93,940
Total	1,395,659	1,873,808	3,132,307
Non-current			
Deposits from lessees	3,058,310	4,064,665	5,667,627
Deferred revenue	320,732	383,359	497,799
Deposits from factoring	137,765	295,635	303,433
Deposits from suppliers and agents	6,891	7,062	21,279
Maintenance funds	–	44,103	138,547
Other payables	15,822	18,875	36,250
Total	3,539,520	4,813,699	6,664,935

note i: Except for RMB 25,974 thousand, RMB 62,564 thousand and RMB nil due to a holding company as at December 31, 2016, 2017 and 2018 respectively which is trade nature, interest free and repayable on demand, aged within 1 year, all the remaining balances of amounts due to holding companies are non-trade nature, interest free and repayable on demand.

COMPANY

	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Current			
Amounts due to holding companies (note ii)	120,549	–	–
Amounts due to subsidiaries of the company (note ii)	240	–	2,024
Deposits due within one year	524,070	1,079,509	1,836,728
Deferred revenue	49,715	75,663	144,084
Interest payable	129,989	288,907	467,523
Notes payable	151,397	156,223	358,796
Other taxes payable	9,127	5,825	2,658
Accrued expenses	22,056	43,857	84,182
Other payables	25,998	70,868	93,678
Total	1,033,141	1,720,852	2,989,673

note ii: Balances are non-trade nature, interest free and repayable on demand.

	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Non-current			
Deposits from lessees	2,834,584	3,863,721	5,469,768
Deferred revenue	296,135	362,111	477,361
Deposits from factoring	137,765	294,035	299,333
Deposits from suppliers and agents	6,891	7,062	21,279
Other payables	15,127	17,427	32,171
Total	3,290,502	4,544,356	6,299,912

35. PAID-IN/SHARE CAPITAL

GROUP/COMPANY

	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Registered, issued and fully paid-in/share capital			
At beginning of the year	3,483,740	5,418,148	7,000,000
Additions (note)	1,934,408	1,581,852	–
At end of the year	5,418,148	7,000,000	7,000,000

note: As at December 12, 2016, Haitong Capital Investment Co., Limited made a capital injection amounting 3 billion, with raising the paid-in capital in amount of RMB 1,934,408 thousand and the capital reserve in amount of RMB 1,065,592 thousand.

In May 2017, the Company was converted into a joint stock limited company, and the Company issued and allotted 7 billion ordinary shares with par value of RMB 1 each to the respective shareholders of the Company in accordance with the proportion of their paid-in capital to the Company as at December 31, 2016. Upon completion of the Conversion, the share capital of the Company increased to RMB 7 billion.

36. SHARE-BASED PAYMENT

On May 27, 2014, the Parent Company adopted a share option incentive scheme, which was valid and effective for a period of five years commencing from the date of adoption. According to the scheme, the eligible participants include directors, senior management, key operational managerial personnel and key technical or business personnel of the Company and the Parent Company as determined by the Board of Directors of the Parent Company, the total number of which shall not exceed 50. No more than 97,321,500 share options shall be granted to the participants under the scheme which represented approximately 6% of the issued share capital of the Parent Company at the effective date of the share option incentive scheme. The maximum number of shares issued and to be issued upon exercise of the options granted to each participant under the share option incentive scheme (including both exercised and outstanding options) (i) in respect of the scheme limit, shall not exceed 3% of the total number of the Parent Company's shares in issue; and (ii) in respect of the annual limit, shall not exceed 1% of the total number of the Parent Company's shares in issue.

The participants have the right to exercise 25% of the total granted share options on every April 30, from Year 2015 to Year 2018, provided that (i) the participants maintain the employment relationship with the Company; and (ii) the Company meets the performance target determined by the Board of Directors of the Parent Company. Options may be exercised at any time in the following 5 years since the dates these options become exercisable.

Under the scheme, the share options are not transferrable. The transfer of the shares upon exercise of the options is subject to the Parent Company's approval and the Parent Company has the right of first refusal. The scheme further provides that the Parent Company may repurchase the option shares under certain circumstances. The repurchase price shall be equal to (i) the exercise price, in the case that the employment relationship with the participant is terminated, if the duration of employment relationship is less than five years, or if the duration of employment relationship is not less than five years but the employment relationship is terminated due to the fault of the participant; or (ii) the exercise price with annual growth rate of 8% or other reasonable fair price determined by the Board of Directors of Parent Company, in the case that the employment relationship with the participants continues and the duration of employment relationship is not less than five years, or in the case that the employment relationship is terminated but the participant is not at fault and the duration of employment relationship is not less than five years.

The following table discloses movements of share options granted to the participants of the scheme during the Track Record Period:

	Year ended December 31, 2016		Year ended December 31, 2017		Year ended December 31, 2018	
	Weighted average exercise price USD/equivalent to RMB per	Number of options '000	Weighted average exercise price USD/equivalent to RMB per	Number of options '000	Weighted average exercise price USD/equivalent to RMB per	Number of options '000
At beginning of the year	0.51/3.14	84,480	0.51/3.14	84,480	–	–
Granted during the year	–	–	–	–	–	–
Exercised during the year	–	–	–	–	–	–
Forfeited during the year	–	–	0.51/3.14	(51,780)	–	–
Canceled during year (Note ii)			0.51/3.14	(32,700)	–	–
At end of the year	0.51/3.14	84,480	–	–	–	–

note i: Weighted average exercise price is the average of exercise prices for four series.

note ii: During the year ended December 31, 2017, for the Company's strategic development and management needs, and in consideration of the requirements of applicable PRC laws and regulations, the board of the directors of the Parent Company has approved the implementation of an exit arrangement on the options which have been granted to eligible participants but not exercised. In formulating the arrangement, due consideration has been given to the terms of the share option incentive scheme and the contributions made by the relevant participants to the business of the Group.

The exercise prices and exercisable periods of the share options outstanding as at the December 31, 2016 are as follows:

Options series	Numbers of options '000	Granted date	Exercise price USD/ equivalent to RMB per share	Exercise period (note)
Series1	21,120	January 19, 2015	0.46/2.82	April 30, 2015 to April 29, 2020
Series2	21,120	January 19, 2015	0.49/3.00	April 30, 2015 to April 29, 2021
Series3	21,120	January 19, 2015	0.53/3.25	April 30, 2015 to April 29, 2022
Series4	21,120	January 19, 2015	0.57/3.49	April 30, 2015 to April 29, 2023

note: In the case that the employment relationship with the participant is terminated, if the duration of employment relationship is less than five years, or if the duration of employment relationship is not less than five years but the employment relationship is terminated due to the fault of the participant, the Parent Company, as determined by its board of directors, is entitled (but not obligated) to repurchase such shares within the twelve months of the termination of the employment relationship with the repurchase price equal to the exercise price paid by the participants.

On January 19, 2015, 84,480,375 share options were granted to the eligible participants. No new share options were granted during the year ended December 31, 2016, 2017 and 2018. There was no outstanding share option as at December 31, 2017 and 2018.

Fair value of share options at the grant date on January 19, 2015 is determined based on the Binomial Model with the key inputs into the model as disclosed below.

	Series 1	Series 2	Series 3	Series 4
Grant date share price (USD/equivalent to RMB) (note i)	0.43/2.63	0.43/2.63	0.43/2.63	0.43/2.63
Exercise price (USD/equivalent to RMB)	0.46/2.82	0.49/3.00	0.53/3.25	0.57/3.49
Expected volatility (note ii)	43%	64%	64%	60%
Expected option life (years)	5	5	5	5
Risk-free rate	1.33%	1.49%	1.62%	1.70%
Expected dividend yield	0%	0%	0%	0%
Early exercise multiples - senior management	2.5	2.5	2.5	2.5
- non-senior management	2	2	2	2

note i: The grant date share price is determined by discounted cash flow. Future cash flows are estimated based on the approved business plan forecast of the Parent Company for Year 2015 to Year 2023 at various annual growth rate, using the discounted rate which represents cost of capital.

note ii: Expected volatility was determined using the average historical volatility of the comparable listed companies' share prices over the previous 5.28, 6.28, 7.28 and 8.28 years at the grant date for Series 1, Series 2, Series 3 and Series 4 respectively.

The impact on operational results from the share-based payment is as follows:

	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Charges/(Credit) to statement of profit or loss due to share-based payment	25,795	(15,887)	–

37. RESERVES

(1) Capital reserve

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

GROUP

	Opening	Addition	Transfer out	Closing
	RMB'000	RMB'000	RMB'000	RMB'000
2016				
Capital premium	–	1,083,152	–	1,083,152
Other capital reserve	37,207	25,795	–	63,002
Total	37,207	1,108,947	–	1,146,154
2017				
Capital premium	1,083,152	662,034	(4,612)	1,740,574
Other capital reserve	63,002	–	(23,413)	39,589
Total	1,146,154	662,034	(28,025)	1,780,163
2018				
Capital premium	1,740,574	–	–	1,740,574
Other capital reserve	39,589	–	–	39,589
Total	1,780,163	–	–	1,780,163

COMPANY

	Opening	Addition	Transfer out	Closing
	RMB'000	RMB'000	RMB'000	RMB'000
2016				
Capital premium	–	1,065,592	–	1,065,592
Other capital reserve	37,207	25,795	–	63,002
Total	37,207	1,091,387	–	1,128,594
2017				
Capital premium	1,065,592	662,034	–	1,727,626
Other capital reserve	63,002	–	(23,413)	39,589
Total	1,128,594	662,034	(23,413)	1,767,215
2018				
Capital premium	1,727,626	–	–	1,727,626
Other capital reserve	39,589	–	–	39,589
Total	1,767,215	–	–	1,767,215

(2) Surplus reserve

The surplus reserve is the statutory surplus reserve.

Pursuant to the Company Law of the PRC, 10% of the net profit of the Company, as determined under the relevant accounting rules in the PRC, is required to be transferred to the statutory surplus reserve until this reserve reaches 50% of the paid-in/share capital of the Company. The reserve appropriated can be used for offsetting accumulated losses, expansion of business and capitalization, in accordance with the Company's articles of association or as approved by the Board of the Company.

GROUP/COMPANY

	Opening	Addition	Conversion to joint stock	Closing
	RMB'000	RMB'000	RMB'000	RMB'000
2016				
Statutory reserve	173,000	62,020	–	235,020
2017				
Statutory reserve	235,020	116,604	(235,020)	116,604
2018				
Statutory reserve	116,604	86,842	–	203,446

(3) Investment revaluation reserve

The movements of the investment revaluation reserve of the Group and the Company are as follows:

GROUP

	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
At the beginning of the year	913	4,179	139
Effect arising from adoption of IFRS 9	–	–	(139)
Available-for-sale financial assets:			
- Net fair value changes during the year	13,808	34,228	–
- Income tax related to net fair value changes during the year	(3,452)	(8,557)	–
- Reclassification adjustment to profit or loss on disposal	(9,453)	(39,615)	–
- Income tax related to reclassification adjustment to profit or loss on disposal	2,363	9,904	–
At end of the year	4,179	139	–

COMPANY

	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
At beginning of the year	913	3,752	139
Effect arising from adoption of IFRS 9	–	–	(139)
Available-for-sale financial assets:			
- Net fair value changes during the year	13,220	30,003	–
- Income tax related to net fair value changes during the year	(3,305)	(7,501)	–
- Reclassification adjustment to profit or loss on disposal	(9,435)	(34,820)	–
- Income tax related to reclassification adjustment to profit or loss on disposal	2,359	8,705	–
At end of the year	3,752	139	–

(4) Translation reserve

For the purposes of presenting the Historical Financial Information, 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 each period. Exchanges differences arising, if any, are recognized in other comprehensive income and accumulated in the translation reserve.

38. RETAINED PROFITS

The movement of retained profits of the Company are set out below:

COMPANY

	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
At beginning of the year	1,450,691	2,008,866	1,049,437
Effect arising from adoption of IFRS 9	–	–	(224,873)
Profit attributable to the shareholders	620,195	1,166,041	1,082,454
Appropriation to surplus reserve	(62,020)	(116,604)	(86,842)
Conversion into a joint stock company	–	(2,008,866)	–
Distribution of perpetual note	–	–	12,457
Others	–	–	(1,620)
At end of the year	2,008,866	1,049,437	1,831,013

39. OTHER EQUITY INSTRUMENT

As at March 11, 2016, the Company issued a perpetual medium-term note with principal amount of RMB 1,200 million and value date on March 14, 2016.

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

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

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

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

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

During the year ended December 31, 2016, 2017 and 2018, profit attributable to the holders of the perpetual note of the Group amounting to RMB 32,295 thousand, RMB 44,880 thousand and RMB 49,897 thousand respectively, are determined with reference to the distribution rate specified in the terms and conditions.

40. INTERESTS IN STRUCTURED ENTITIES

(1) Interest in consolidated structured entities

The Group holds interests in some structured entities through investments in the notes issued by these structured entities. The assets of these structured entities mainly include asset-backed securities and asset-backed note. When assessing whether to consolidate structured entities, the Group reviews all facts and circumstances to determine whether the Group, as manager, is acting as agent or principal. These factors considered include the scope of the manager's decision-making authority, rights held by other parties, remuneration to which it is entitled and exposure to variability of returns. For the asset-backed securities and asset-backed note, the Group fully subscribed junior tranche and provide the guarantee on the full repayment of the principal and interests of the senior tranche at maturity date. Therefore the structured entities are incorporated into the scope of consolidation.

The carrying amounts of asset-backed securities consolidated by the Group amounted to RMB 3,008 million, RMB 4,217 million and RMB 9,006 million as of December 31, 2016, 2017 and 2018, respectively.

The carrying amounts of asset-backed notes consolidated by the Group amounted to RMB nil, RMB 1,353 million and RMB 2,835 million as of December 31, 2016, 2017 and 2018, respectively. Refer to Note 33 for details.

(2) Interest in unconsolidated structured entities

The Group has been involved in other structured entities through investments in structured entities that provide specialized investment opportunities to investors. These structured entities generally finance the purchase of assets by issuing units of the products. The Group did not control these structured entities and therefore, these structured entities were not consolidated.

The Group has interests in structured entities managed by third parties through investing in funds and wealth management products.

The carrying amount and maximum risk exposure of the unconsolidated structured entities are as follows:

	As at December 31, 2016		
	Carrying amount	Maximum risk exposure	Fair value gain
	RMB'000	RMB'000	RMB'000
Financial assets at fair value through profit or loss			
- Monetary funds	950,679	950,679	1,554
Available-for-sale financial assets			
- Wealth management products	1,038,401	1,038,401	401
Total	1,989,080	1,989,080	1,955

	As at December 31, 2017		
	Carrying amount	Maximum risk exposure	Fair value gain
	RMB'000	RMB'000	RMB'000
Available-for-sale financial assets			
- Wealth management products	450,185	450,185	185
Total	450,185	450,185	185

	As at December 31, 2018		
	Carrying amount	Maximum risk exposure	Fair value gain
	RMB'000	RMB'000	RMB'000
Financial assets at fair value through profit or loss			
- Monetary funds	1,895,563	1,895,563	20,563
Total	1,895,563	1,895,563	20,563

41. TRANSFER OF FINANCIAL ASSETS

Asset-backed securities

The Group enters into securitization transactions in the normal course of business by which it transfers finance lease receivables and factoring receivables to structured entities which issue asset-backed securities to investors. The Group retains interests in the form of subordinated tranches which would give rise to the Group's continuing involvement in the transferred assets. As the Group neither transfers nor retains substantially all the risks and rewards of ownership of the finance lease receivables and factoring receivables, and it has retained control of them, those finance lease receivables and factoring receivables are recognized on the consolidated statement of financial position to the extent of the Group's continuing involvement.

As at December 31, 2016, 2017 and 2018, the carrying amount of finance lease receivables that has been transferred but not derecognized was RMB 3,069 million, RMB 4,772 million and RMB 9,902 million respectively.

As at December 31, 2016, 2017 and 2018, the carrying amount of factoring receivables that has been transferred but not derecognized was RMB nil, RMB nil and RMB 458 million respectively.

The related carrying amount of financial liabilities was RMB 3,008 million, RMB 4,217 million and RMB 9,006 million respectively.

Asset-backed notes

The Group enters into securitization transactions in the normal course of business by which it transfers finance lease receivables to structured entities which issue asset-backed notes in China Inter-bank market to investors. The Group retains interests in the form of subordinated tranches which would give rise to the Group's continuing involvement in the transferred assets. As the Group neither transfers nor retains substantially all the risks and rewards of ownership of the finance lease receivables and it has retained control of them, those finance lease receivables are recognized on the consolidated statement of financial position to the extent of the Group's continuing involvement.

As at December 31, 2016, 2017 and 2018, the carrying amount of finance lease receivables that has been transferred but not derecognized was RMB nil, RMB 1,556 million and RMB 2,998 million, while the related carrying amount of financial liabilities was RMB nil, RMB 1,353 million and RMB 2,835 million respectively.

42. CASH AND CASH EQUIVALENTS

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

	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Deposit in banks	642,949	1,969,639	3,662,767
Deposit in security accounts	7,929	–	–
Total	650,878	1,969,639	3,662,767

43. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities. Interest payments in relation to below liabilities are included in other liabilities and presented in operating cash flow.

	As at January 1, 2016	Financing cash flows	Acquisition of partial interest in a subsidiary	Purchase aircraft	Foreign exchange losses	Other changes	As at December 31, 2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank borrowings	15,422,752	5,937,172	–	–	89,804	139,204	21,588,932
Borrowings from related parties	2,722,425	(233,000)	–	–	–	–	2,489,425
Income certificates issued	112,600	264,620	–	–	–	–	377,220
Financial assets sold under repurchase agreements	3,000,000	(3,000,000)	–	–	–	–	–
Bonds payable	1,492,215	3,512,121	–	–	–	(4,978)	4,999,358
Amounts due to holding companies (note)	–	–	94,575	341,190	–	–	435,765
Total	22,749,992	6,480,913	94,575	341,190	89,804	134,226	29,890,700

	As at January 1, 2017	Financing cash flows	Dividends distributed	Transfer to borrowings from related parties	Foreign exchange losses	Other changes	As at December 31, 2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank borrowings	21,588,932	1,315,078	–	–	(32,224)	61,610	22,933,396
Borrowings from related parties	2,489,425	(948,816)	–	333,836	–	–	1,874,445
Income certificates issued	377,220	(377,220)	–	–	–	–	–
Bonds payable	4,999,358	11,039,560	–	–	–	5,437	16,044,355
Dividends payable	–	(92,306)	92,306	–	–	–	–
Amounts due to holding companies (note)	435,765	(99,099)	–	(333,836)	15,890	–	18,720
Total	29,890,700	10,837,197	92,306	–	(16,334)	67,047	40,870,916

	As at January 1, 2018	Financing cash flows	Dividends distributed	Transfer to borrowings from related parties	Foreign exchange losses	Other changes	As at December 31, 2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank borrowings	22,933,396	6,883,477	–	–	15,385	92,265	29,924,523
Borrowings from related parties	1,874,445	(795,814)	–	–	(4,541)	–	1,074,090
Bonds payable	16,044,355	11,377,264	–	–	–	30,032	27,451,651
Dividends payable	–	(49,826)	49,826	–	–	–	–
Amounts due to holding companies (note)	18,720	(19,663)	–	–	884	4,053	3,994
Total	40,870,916	17,395,438	49,826	–	11,728	126,350	58,454,258

note: The cash flows of "amounts due to holding companies" presented above only comprises those arising from financing activities, whereas the balance of "amounts due to holding companies" presented in Note 34 comprises the liabilities arising from both operating and financing activities. Disparity may occur if there were liabilities payable to the holding companies caused by trading activities during the year.

44. CAPITAL COMMITMENTS

GROUP

	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Contracted, but not provided for:			
Capital contribution for Gui'an UT Financial Leasing (Shanghai) Co. Ltd. (the "Joint Venture Company")(note i)	225,000	–	–
Construction and development for PPP project management and government outsourcing business (note ii)	–	–	721,587
Property and equipments(note iii)	–	–	1,226,454
Total	225,000	–	1,948,041

Note i: In September 2016,(貴州貴安金融投資有限公司) the Parent Company and the Company have entered and set up a joint venture agreement for the Joint Venture Company, which is a limited company incorporated in China (Shanghai) Pilot Free Trade Zone (中國(上海)自由貿易試驗區). The registered capital of the Joint Venture Company is RMB 1,500 million of which (貴州貴安金融投資有限公司), the Parent Company and the Company (together, the "Joint Venturers") committed to subscribe for RMB 900 million, RMB 375 million and RMB 225 million in cash respectively. In accordance with articles of association of the Joint Venture Company, the Joint Venturers shall, after the completion of the business registration of the Joint Venture Company, pay the capital contribution in accordance with the relevant policy requirements or operational needs of the Joint Venture Company. As of the date of this report, (貴州貴安金融投資有限公司) Haitong UT Capital Group Co., Limited and the Company had fulfilled all the registered capital.

Note ii: During the year ended December 31, 2018, three of the subsidiaries of the Company, signed construction and development contracts for PPP project management and government outsourcing business. The contract amount is approximately RMB 721,587 thousand.

Note iii: During the year ended December 31, 2018, a subsidiary of the Company has entered agreements for buying aircrafts. The contract amount is approximately RMB 1,226,454 thousand.

45. OPERATING LEASE COMMITMENTS

Operating leases relate to leases of leasehold land and buildings with lease terms of between 1 and 6 years. The Group does not have an option to purchase the leased leasehold land and buildings at the expiry of the lease periods.

The Group as lessee

At the end of respective reporting period, the Group had commitments for future minimum cash lease rentals under non-cancellable operating leases which fall due as follows:

	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Within one year	34,259	43,514	41,376
In the second to fifth year	43,102	30,675	13,994
Total	77,361	74,189	55,370

The Company as the lessee

At the end of respective reporting period, the Company had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Within one year	31,449	36,443	33,835
In the second to fifth year	40,226	24,704	10,115
Total	71,675	61,147	43,950

The Group as lessor

Leasing arrangements

Operating leases relate to the aircraft owned by the Group with lease terms of around 10 years. The lessee does not have an option to purchase the leased asset before the expiry of the lease period.

Non-cancellable operating leases

At the end of respective reporting periods, the Group is entitled to receive the minimum cash lease rentals under non-cancellable operating lease which fall due as follows:

	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Within one year	43,678	151,153	408,660
In the second to fifth year	149,731	570,218	1,596,615
Over five years	123,233	341,977	1,073,029
Total	316,642	1,063,348	3,078,304

46. 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, 2016, 2017, and 2018 are set out below:

For the year ended December 31, 2016

Name	Director fee	Salary and allowances	Employer's contribution to pension schemes	Discretionary Bonuses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors:					
Ding Xueqing[(i)]	–	1,543	42	2,751	4,336
Liu Jie[(ii)]	–	1,103	42	1,586	2,731
Non- executive Directors:					
Huang Zhenghong[(iii)]	–	–	–	–	–
Zhang Shaohua[(iii)]	–	–	–	–	–
Li Guangrong[(iii)]	–	–	–	–	–
Ren Peng[(iv)]	–	–	–	–	–
Supervisors:					
Wang Meijuan[(v)]	–	–	–	–	–
	–	2,646	84	4,337	7,067

For the year ended December 31, 2017

Name	Director fee	Salary and allowances	Employer's contribution to pension schemes	Discretionary Bonuses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors:					
Ding Xueqing[(i)]	–	1,546	544	3,589	5,679
Zhou Jianli[(vi)]	–	1,115	380	2,756	4,251
Non- executive Directors:					
Zhang Shaohua[(iii)]	–	–	–	–	–
Ren Peng[(iv)]	–	–	–	–	–
Li, Guangrong[(iii)]	–	–	–	–	–
Huang, Zhenghong[(iii)]	–	–	–	–	–
Wu Shukun[(vii)]	–	–	–	–	–
Independent Non-executive Directors:					
Jiang Yulin[(viii)]	120	–	–	–	120
Yo Shin[(viii)]	120	–	–	–	120
Zeng Qingsheng[(viii)]	120	–	–	–	120
Wu Yat Wai[(viii)]	120	–	–	–	120
Supervisors:					
Wang Meijuan[(v)]	–	–	–	–	–
Liu Jie[(ii)]	–	–	–	–	–
Zhao Yue[(ix)]	–	407	63	140	610
Chen Xinji[(x)]	–	566	127	414	1,107
	480	3,634	1,114	6,899	12,127

For the year ended December 31, 2018

Name	Director fee	Salary and allowances	Employer's contribution to pension schemes	Discretionary Bonuses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors:					
Ding Xueqing[(i)]	–	1,546	579	–	2,125
Zhou Jianli[(vi)]	–	1,242	413	–	1,655
Non- executive Directors:					
Zhang Shaohua[(iii)]	–	–	–	–	–
Ren Peng[(iv)]	–	–	–	–	–
Wu Shukun[(vii)]	–	–	–	–	–
Independent Non-executive Directors:					
Jiang Yulin[(viii)]	210	–	–	–	210
Yo Shin[(viii)]	210	–	–	–	210
Zeng Qingsheng[(viii)]	210	–	–	–	210
Wu Yat Wai[(viii)]	210	–	–	–	210
Supervisors:					
Wang Meijuan[(v)]	–	–	–	–	–
Zhao Yue[(ix)]	–	452	77	–	529
Chen Xinji[(x)]	–	611	127	–	738
	840	3,851	1,196	–	5,887

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and 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 or its subsidiaries.

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 Company to any of the directors, supervisors or senior management as an inducement to join or upon joining the Group or as compensation for redundancy.

Notes:

(i) Ding Xueqing was appointed as executive director in November 2014.

(ii) Liu Jie was appointed as executive director in July 2015 and transferred as supervisor in May 2017 and resigned in June 2017.

(iii) Huang Zhenghong, Zhang Shaohua and Li Guangrong were appointed as non-executive director in January 2014. Li Guangrong and Huang Zhenghong resigned in March 2017 and April 2017 respectively.

(iv) Ren Peng was appointed as non-executive director in June 2014.

(v) Wang Meijuan was appointed as supervisor in January 2014.

(vi) Zhou Jianli was appointed as executive director in May 2017.

(vii) Wu Shukun was appointed as non-executive director in April 2017.

(viii) Jiang Yulin, Zeng Qingsheng, Yo shin and Wu Yat Wai were appointed as independent non-executive directors in May 2017.

(ix) Zhao Yue was appointed as supervisors in May 2017.

(x) Chen Xinji was appointed as supervisors in June 2017.

47. HIGHEST PAID INDIVIDUALS

Of the five individuals with the highest emoluments, two individuals are executive directors of the company for the year ended December 31, 2016, 2017, and 2018 whose emoluments are disclosed in Note 46. Details of the remuneration of the five highest paid employees for the year ended December 31, 2016, 2017 and 2018 are as follows:

	Year ended December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Basic salaries and allowances	5,655	5,717	6,063
Bonuses	9,468	13,827	–
Employer's contribution to pension schemes	170	1,866	2,013
Total	15,293	21,410	8,076

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, 2016, 2017 and 2018.

The emoluments of the five highest paid individuals of the Group fall within the following bands:

	Year ended December 31,		
	2016	2017	2018
	No. of employees	No. of employees	No. of employees
Emolument bands			
- HKD Nil – HKD1,000,000	–	–	–
- HKD1,000,001 – HKD1,500,000	–	–	–
- HKD1,500,001 – HKD2,000,000	–	–	4
- HKD2,000,001 – HKD2,500,000	–	–	1
- HKD2,500,001 – HKD3,000,000	2	–	–
- HKD3,000,001 – HKD3,500,000	2	–	–
- HKD3,500,001 – HKD4,000,000	–	–	–
- HKD4,000,001 – HKD4,500,000	–	1	–
- HKD4,500,001 – HKD5,000,000	1	2	–
- HKD5,000,001 – HKD5,500,000	–	1	–
- HKD5,500,001 – HKD6,000,000	–	–	–
- HKD6,000,001 – HKD6,500,000	–	–	–
- HKD6,500,001 – HKD7,000,000	–	1	–
Total	5	5	5

48. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

In addition to the subsidiaries of the Group set out in Note 52, the name and the relationship of the other related parties are set out as below:

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

The Group had the following material transactions with the related parties for the years ended December 31, 2016, 2017 and 2018:

(1) Interest expenses

	Year ended December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Haitong UT Capital Group Co., Limited	42,449	22,901	(7,670)
Haitong International Holdings Limited	106,886	68,970	17,895
Shanghai HFT Fortune Asset Management Co., Ltd. (note)	16,573	–	–
Haitong Investment Ireland PLC	3,867	9,350	–
Unican Limited	–	7,086	48,211

note: The amounts represented the interest expense incurred by the Group for the repurchase arrangements with the asset management plans managed by the related parties

(2) Net investment gains

	Year ended December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
HFT Investment Management Co., Ltd.	4,626	6,449	2,262
Haitong Securities Co., Ltd.	–	2,087	–
Haitong Innovation Securities Investment Co.,Ltd.	–	11,393	–

note: The amounts represented the realized investment gains earned by the Group for the monetary funds, wealth management products and income certificates managed/issued by the related parties.

(3) Other operating expenses

	Year ended December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Haitong Bank, S.A	–	7,766	–

(4) Service fee income

	Year ended December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Haitong Innovation Securities Investment Co., Ltd.	–	6,304	–

(5) Other income gains or losses

	Year ended December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Gui'an UT Financial Leasing (Shanghai) Co., Ltd.(note)	–	–	28,863
Haitong UT Holding Limited	–	–	176

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

As at December 31, 2016, 2017 and 2018, the Group had the following material balances with the related parties:

(6) Available-for-sale financial assets

	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Haitong Securities Co., Ltd.	200,586	–	–
Haitong Innovation Securities Investment Co., Ltd.	276,374	–	–

note: The available-for-sale financial assets are income certificates issued by the related parties

(7) Financial assets held under resale agreements

	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Gui'an UT Financial Leasing (Shanghai) Co., Ltd.	–	–	987,600

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

	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
HFT Investment Management Co., Ltd. (note)	200,047	–	558,025

note: The financial assets at fair value through profit or loss are monetary funds managed by the related parties.

(9) Other assets

	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Haitong UT Capital Group Co., Limited	–	152	–
Gui'an UT Financial Leasing (Shanghai) Co., Ltd.	–	–	4,478

(10) Borrowings

	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Haitong Securities Co., Ltd. (note)	377,220	–	–
Haitong Investment Ireland PLC	273,600	–	–
Haitong UT Capital Group Co., Limited	586,425	321,999	–
Haitong International Holdings Limited	1,903,000	703,000	–
Unican Limited	–	849,446	1,074,090

note: The borrowings are borrowings underwritten by the related parties.

(11) Bonds payable

	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Haitong Securities Co., Ltd. (note)	–	–	334,000

note: The bonds payable are the ultra-short-term commercial paper, asset-backed securities and asset-backed notes.

(12) Other liabilities

	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Haitong Securities Co., Ltd.	–	–	24,908
Haitong UT Capital Group Co., Limited	470,078	89,768	3,994
Haitong International Holdings Limited	1,513	20,134	–
Haitong Investment Ireland PLC	3,867	–	–
Unican Limited	–	7,020	44,547

(13) Others

(a) Key management personnel:

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

	Year ended December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Basic salaries and allowances	5,655	5,717	6,063
Bonuses	9,468	13,827	–
Employer's contribution to pension schemes	170	1,866	2,013
Total	15,293	21,410	8,076

(b) Payment of referral service fees to related party

	Year ended December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Haitong Securities Co., Ltd.	14,331	7,113	12,348

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

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

	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Haitong Securities Co., Ltd.	10,504	18,621	24,735
Shanghai HFT Fortune Asset Management Co., Ltd.	1,823	2,737	5,735
Shanghai Haitong Securities Asset Management Co., Ltd.	–	1,027	13,428

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

49. FINANCIAL INSTRUMENTS

Categories of financial instruments

GROUP

	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Financial assets			
Loans and receivables/ at amortized cost:			
Cash and bank balances	869,917	2,597,341	4,283,957
Loans and receivables	4,549,101	11,521,329	6,700,395
Financial assets held under resale agreements	528,900	–	980,836
Accounts receivable	78,353	334	41,237
Other financial assets	22,177	45,170	407,230
Financial assets at fair value through profit and loss:			
Financial assets at fair value through profit and loss	950,679	–	2,362,397
Derivative financial assets	29,310	1,925	10,170
Available-for-sale financial assets	1,526,276	467,099	–
Total	8,554,713	14,633,198	14,786,222

GROUP

	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Financial liabilities			
Amortized cost:			
Borrowings	24,455,577	24,807,841	30,998,613
Accounts payable	567,491	819,401	401,138
Bonds payable	4,999,358	16,044,355	27,451,651
Other financial liabilities	4,900,670	6,630,138	9,692,721
Financial liabilities at fair value through profit or loss:			
Derivative financial liabilities	–	7,802	23,472
Total	34,923,096	48,309,537	68,567,595

COMPANY

	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Financial assets			
Loans and receivables/at amortized cost:			
Cash and bank balances	837,106	1,563,481	3,315,680
Loans and receivables	4,111,076	11,153,084	6,398,154
Financial assets held under resale agreements	375,400	–	980,836
Accounts receivable	78,087	77	30,667
Other financial assets	64,244	137,168	557,813
Financial assets at fair value through profit or loss:			
Financial assets at fair value through profit and loss	950,679	–	1,950,321
Derivative financial assets	29,310	1,925	7,814
Available-for-sale financial assets	1,161,003	450,185	–
Total	7,606,905	13,305,920	13,241,285

COMPANY

	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Financial liabilities			
Amortized cost:			
Borrowings	22,394,593	21,728,360	25,874,788
Accounts payable	567,491	694,401	194,147
Bonds payable	4,999,358	16,044,355	27,451,651
Other financial liabilities	4,292,460	6,215,526	9,202,745
Financial liabilities at fair value through profit and loss:			
Derivative financial liabilities	–	7,802	5,279
Total	32,253,902	44,690,444	62,728,610

50. FINANCIAL RISK MANAGEMENT

50.1 Overview of financial risk management

The Group's activities expose it to a variety of financial risks. The Group identifies, evaluates and manages risks. The Group's risk management objective is to achieve an appropriate balance between risk and return, and minimize potential adverse effects on the Group's financial performance.

The Group's risk management policies are designed to identify and analyze risks to set appropriate risk limits and control procedures, and to monitor the risks through appropriate control processes.

The board of directors of the Company establish overall risk management strategy. The management establishes related risk management policies and procedures, including market risk, credit risk and so on. Such risk policies and procedures are carried out by Business Operation Department, Treasury Management Department, Finance Department, Credit Review & Approval Department, Risk Management Department, Compliance and Commerce Department and other relevant committees after the approval of the board of directors.

The major financial risks of the Group are credit risk, market risk and liquidity risk. Market risk includes foreign currency risk and interest rate risk.

50.2 Credit risk

The Group is exposed to credit risk in relation to its cash and bank balances, finance lease receivables, entrusted loans and other loans, factoring receivables, financial assets held under resale agreements, accounts receivable and other financial receivables. The Group's credit risk is primarily attributable to its finance lease receivables which is the risk of the lessee being unable to meet its contractual obligations.

The Group implemented standardized management procedures over the processes of target customers selection, the due diligence and application, credit review and approval, finance lease disbursement, post-lending monitoring, management of non-performing finance lease receivables and other aspects. Through implementation of relevant credit risk management policies and procedures, the effective use of finance lease information system and optimization of the portfolio of finance leases, the Group is able to timely and effectively identify, monitor and manage its potential credit risks.

Changes in the economic environment will have an impact on the Group's finance lease, and the adverse effects will increase the possibility of losses incurred by the Group. The Group's current major business operations are in mainland China, but the differences of economic development in different regions require the Group to closely manage the relevant credit risks. The Business Operation Department, Credit Review & Approval Department, Treasury Management Department and Risk Management Department in charge of different industries and regions are responsible for the management of the credit risks, and periodically reporting on the quality of assets to the board of directors of the Company. The Group has established mechanisms to set credit risk limits for individual lessees and periodically monitors the above credit risk limits.

(1) Risk limit management and mitigation measures

The Group manages, limits, and controls the concentration of credit risks and, as far as possible, avoids risks concentration on single lessee, industry or region.

The Group manages customer limits to optimize the credit risk structure. The Group performs pre-project analysis of the lessee's ability to repay principal and interest, real-time supervision of the lessee's actual repayment status during the project to manage credit risks.

Other specific management and mitigation measures include:

(a) Guarantee

The Group has developed a series of policies to mitigate credit risk, including obtaining collateral/pledge, security deposit and guarantee from an enterprise or individual.

According to the characteristics of the finance lease, the Group has the ownership of the asset under the finance lease during the lease term. The Property Law of PRC stipulates the four powers and functions of ownership: possession, usage, benefit and punishment; it also stipulates that the owner has the right to establish usufructuary right and security interest over his own realty or chattel. Therefore, the Property Law protects the Group's effective rights. In the event of default, the Group is entitled to retrieve the asset.

In addition, the Group requests a third party guarantee or collateral from certain lessees, depending on the lessee's credit status and credit risk degree of the finance lease. The management evaluate the capability of the guarantor, the ownership and value of the mortgage and pledge and the feasibility of realizing the mortgage and pledge.

(b) Insurance on the asset of the finance lease

For finance lease, the ownership of the finance lease asset belongs to the Group before the expiry of the lease, but the risks and rewards in operational use and maintenance have been transferred to the lessee. Therefore, if any accidents occur to the asset, the lessee should immediately report them to the insurance company and notify the Group, provide accident report with relevant documents and settle claims to the insurance company.

Group's exposure to credit risk before application of IFRS 9 on January 1, 2018

Maximum credit risk exposure of the Group without consideration of the collateral and pledges:

GROUP

	As at December 31,	
	2016	2017
	RMB'000	RMB'000
Financial assets		
Loans and receivables:		
Cash and bank balances	869,917	2,597,341
Finance lease receivables	36,555,220	43,536,176
Loans and receivables	4,549,101	11,521,329
Financial assets held under resale agreements	528,900	–
Accounts receivable	78,353	334
Other financial assets	22,177	45,170
Financial assets at fair value through profit and loss:		
Derivative financial assets	29,310	1,925
Available-for-sale financial assets	476,960	–
Total	43,109,938	57,702,275

COMPANY

	As at December 31,	
	2016	2017
	RMB'000	RMB'000
Financial assets		
Loans and receivables:		
Cash and bank balances	837,106	1,563,481
Finance lease receivables	33,267,101	40,840,032
Loans and receivables	4,111,076	11,153,084
Financial assets held under resale agreements	375,400	–
Accounts receivable	78,087	77
Other financial assets	64,244	137,168
Financial assets at fair value through profit or loss:		
Derivative financial assets	29,310	1,925
Available-for-sale financial assets	122,602	–
Total	38,884,926	53,695,767

The amount of the credit risk exposures set out above are the carrying amounts as at December 31, 2016 and 2017. For financial instruments measured at fair value, the risk exposure is considered as its carrying value changes in accordance with future fair value.

Finance lease receivables

GROUP

	As at December 31,	
	2016	2017
	RMB'000	RMB'000
Neither overdue nor impaired	37,352,125	44,464,992
Overdue but not impaired(1)	45,676	99,380
Impaired(2)	469,479	453,847
Less: Allowance for impairment losses	(1,312,060)	(1,482,043)
Total	36,555,220	43,536,176

COMPANY

	As at December 31,	
	2016	2017
	RMB'000	RMB'000
Neither overdue nor impaired	33,995,206	41,717,379
Overdue but not impaired(1)	45,676	99,380
Impaired(2)	469,277	453,847
Less: Allowance for impairment losses	(1,243,058)	(1,430,574)
Total	33,267,101	40,840,032

(1) Overdue but not impaired finance lease receivables

Overdue but not impaired finance lease receivables represent overdue amount at the end of each Track Record Period without consideration of future balances. Generally speaking, finance lease receivables which are overdue within 90 days are not treated as impaired unless

observable evidence exists. According to the definition of finance lease and the Group's risk mitigation measures, the ownership, the usufruct and security interest of the lease asset all belongs to the Group during the term of the lease. The Group performs impairment test for those overdue lease receivables, and considers no specific provision is necessary since they are expected to be recovered in full from the lessee's operation, the compensation from guarantors or the disposal of the collateral.

(2) Impaired finance lease receivables

The impaired finance lease receivables mainly includes receivables for the lease of machineries and transportation equipment. The Group performed individual assessments on those impaired lease receivables at the end of each reporting period.

Loans and receivables

As at December 31, 2017, the Group's and the Company's loans and receivables are neither overdue nor impaired, except the carrying amount of factoring receivables amounting to RMB 75,000 thousand is impaired with the allowance for impairment losses amounting to RMB 43,650 thousand. The Group's and the Company's loans and receivables were neither overdue nor impaired as at December 31, 2016.

Available-for-sale investments

The credit risk on the available-for-sale financial assets is limited because the Group mainly invests in structured notes through large scale security companies, and the risk of inability to pay or redeem at the due date is low.

Financial assets held under resale agreements

As at December 31, 2016 and 2017, the Group's financial assets held under resale agreements are the investments in reverse repurchase treasury bonds. The credit risk on the financial assets held under resale agreements is limited because the risk of inability to pay or redeem at the due date is low.

Accounts receivable and other financial assets

As at December 31, 2016 and 2017, the Group's accounts receivable and other financial assets mainly consist of accounts receivable of services, notes receivable and deposits for legal proceedings, ongoing credit evaluation is performed on the financial condition of these receivables, and no significant credit risk are identified.

Bank balances

The credit risk on bank balances are limited because the counterparties are banks, and the risk of inability to pay or redeem at the due date is low.

Group's exposure to credit risk upon application of IFRS 9 on January 1, 2018

Credit risk refers to the risk that a customer or counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group considers all elements of credit risk exposure such as counterparty default risk and sector risk for risk management purposes.

Upon application of IFRS 9, 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 rather 12-month ECL.

In order to minimize credit risk, the Group has tasked to develop and maintain the Group's credit risk grading to categorize exposures according to their degree of risk of default. The credit grading information is based on a range of data that is determined to be predictive of the risk of default and applying experienced credit judgment. The nature of the exposure and the type of counterparty are taken into account in the analysis. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default.

The internal credit risk grades are designed and calibrated to reflect the risk of default as credit risk deteriorates. As the credit risk increases, the difference in risk of default between grades changes. Each exposure is allocated to a credit's risk grade at initial recognition, based on the available information about the counterparty. All exposures are monitored and the credit risk grade is updated to reflect current information. The Group uses credit risk grades as a primary input into the determination of the term structure of the probability of default ("PD") for exposures. The Group uses both quantitative and qualitative criteria to determine whether credit risk has increased significantly.

The Groups uses forward-looking macro-economic data such as GDP growth, PPI and CPI in its assessment of significant increase of credit risk as well as in its measurement of ECL.

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

Category	Description	Basis for recognizing ECL
Stage 1	For financial assets where there has low risk of default or has not been a significant increase in credit risk since initial recognition and that are not credit impaired.	12m ECL
Stage 2	For financial assets where there has been a significant increase in credit risk since initial recognition but that are not credit impaired.	Lifetime ECL – not credit impaired
Stage 3	Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred.	Lifetime ECL – credit impaired

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

GROUP

	As at December 31,2018 RMB'000
Financial assets	
At amortized cost:	
Cash and bank balances	4,283,957
Finance lease receivables	61,652,712
Loans and receivables	6,700,395
Financial assets held under resale agreements	980,836
Accounts receivable	41,237
Other financial assets	407,230
Financial assets at fair value through profit or loss:	
Financial assets at fair value through profit and loss	430,756
Derivative financial assets	10,170
Total	74,507,293

COMPANY

	As at December 31,2018 RMB'000
Financial assets	
At amortized cost:	
Cash and bank balances	3,315,680
Finance lease receivables	58,701,125
Loans and receivables	6,398,154
Financial assets held under resale agreements	980,836
Accounts receivable	30,667
Other financial assets	557,813
Financial assets at fair value through profit or loss:	
Financial assets at fair value through profit and loss	430,756
Derivative financial assets	7,814
Total	70,422,845

The amounts of the credit risk exposures set out above are the carrying amounts as at December 31,2018. For financial instruments measured at fair value, the risk exposure considered as its carrying value changes in accordance with future fair value.

Finance lease receivables

For finance lease receivables, the Group has applied the general approach in IFRS 9 to measure ECL. A substantial portion of finance lease receivables is at Stage 1 of which the loss allowance is measured at 12 month ECL.

Loans and receivables

For loans and receivables, the Group has applied the general approach in IFRS 9 to measure ECL. A substantial proportion of loans and receivables is at Stage 1 of which the loss allowance is measured at 12 month ECL.

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 reverse repurchase finance lease receivables, and these finance lease receivables are neither overdue nor impaired. The financial assets held under resale agreements has not been a significant increase in credit risk since initial recognition and that are not overdue. The counterparty is a related party with good credit quality. The Group has applied the general approach in IFRS 9 to measure ECL. All the financial assets held under resale agreements is at Stage 1 of which the loss allowance is measured at 12 month ECL.

Accounts receivable and other financial assets

For accounts receivable, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. For other financial assets, the Group has applied the general approach in IFRS 9 to measure the loss allowance for ECL.

Bank balances

The bank balances is determined to have low risk at the reporting date. The credit risk on bank balances is limited because the counterparties are reputable banks, and the risk of inability to pay or redeem at the due date is low.

50.3 Market risk

The Group is exposed to market risks that may cause losses to the Group as a result of adverse market changes in market prices (including interest rates and exchange rates).

Market risks measurement techniques

The Group currently establishes position limits and uses sensitivity analysis to measure and control market risks. The Group regularly calculates and monitors the foreign exchange risk exposure, as well as the difference (exposure) between interest-bearing assets and liabilities which would need to be repriced or mature in a certain period, and then uses the exposure information to perform sensitivity analysis under changing exchange rate and market interest rate.

Foreign currency risk

The Group takes on exposures to the effects of fluctuations at the prevailing foreign currency exchange rates on its financial position and cash flows.

The principle of currency risk management is to match assets and liabilities denominated in different currencies, and hedge net currency risk exposure through currency derivative instruments when it is appropriate and necessary. The operating leases receivables are denominated in US dollars;

and the main sources of fund are from borrowings and bond issuance denominated in US dollar or RMB. Other than aircraft leasing, the Group's remaining leasing businesses are denominated in RMB, which does not expose significant currency risk.

The carrying amounts of the Group's foreign currency denominated assets and liabilities at the end of each reporting period were as follows:

GROUP

	Assets			Liabilities		
	As at December 31,			As at December 31,		
	2016	2017	2018	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
United States dollar	5,418	659,035	1,042,125	574,714	2,695,973	6,651,676

COMPANY

	Assets			Liabilities		
	As at December 31,			As at December 31,		
	2016	2017	2018	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
United States dollar	5,418	30	358	574,714	527,028	2,235,415

Sensitivity analysis

The Group is mainly exposed to the effects of fluctuation in USD against RMB.

The following table details the Group's sensitivity to a 5% increase and decrease in RMB, the functional currency of respective group entities, against USD. 5% is the sensitivity rate represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end or the period end for a 5% change in foreign currency rate. The analysis illustrates the impact for a 5% weakening of USD against RMB and a positive number below indicates an increase in profit for the year. For a 5% strengthening of USD against RMB, there would be an equal and opposite impact on the profit for the year.

GROUP

	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Increase in net profit	21,349	76,385	210,358

COMPANY

	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Increase in net profit	21,349	19,762	83,815

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, loans and other receivables, financial assets held under resale agreements, accounts receivable, other financial assets, financial assets at fair value through profit or loss, available-for-sale financial assets, borrowings, accounts payable, bonds payable, and other financial liabilities.

Management closely monitor the market, and control interest rate sensitivity gap by adjusting asset and liability structure, so as to achieve effective management of interest rate risk.

Fluctuations of prevailing rate quoted by the People's Bank of China are the major sources of the Group's and the Company's cash flow interest rate risk.

Non-derivative financial instruments

At the end of each reporting period, the Group's and the Company's assets and liabilities at carrying amounts, categorized by remaining maturity based on the earlier of contractual repricing or remaining maturity dates are as follows:

GROUP

As at December 31, 2016

	Within 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non-interest bearing	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial Assets						
Cash and bank balance	849,186	12,231	8,500	–	–	869,917
Finance lease receivables	35,236,663	609,492	709,065	–	–	36,555,220
Loans and other receivables	2,416,682	809,649	1,190,393	132,377	–	4,549,101
Accounts receivable	–	–	–	–	78,353	78,353
Other financial assets	–	–	–	–	22,177	22,177
Financial assets held under resale agreements	528,900	–	–	–	–	528,900
Financial assets at fair value through profit or loss	–	–	–	–	950,679	950,679
Available-for-sale financial assets	200,585	–	276,375	–	1,049,316	1,526,276
Total financial assets	39,232,016	1,431,372	2,184,333	132,377	2,100,525	45,080,623
Financial Liabilities						
Borrowings	19,938,051	2,044,921	2,472,605	–	–	24,455,577
Accounts payable	–	–	–	–	567,491	567,491
Bonds payable	494,003	685,290	3,820,065	–	–	4,999,358
Other financial liabilities	136,045	472,477	3,279,386	18,518	994,244	4,900,670
Total financial liabilities	20,568,099	3,202,688	9,572,056	18,518	1,561,735	34,923,096
Interest rate gap	18,663,917	(1,771,316)	(7,387,723)	113,859	538,790	10,157,527

GROUP

As at December 31, 2017

	Within 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non-interest bearing	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial Assets						
Cash and bank balance	2,129,990	463,808	3,000	543	–	2,597,341
Finance lease receivables	42,812,156	458,233	265,787	–	–	43,536,176
Loans and other receivables	8,357,192	1,774,853	1,261,415	127,869	–	11,521,329
Accounts receivable	–	–	–	–	334	334
Other financial assets	–	–	–	–	45,170	45,170
Available-for-sale financial assets	450,185	–	–	–	16,914	467,099
Total financial assets	53,749,523	2,696,894	1,530,202	128,412	62,418	58,167,449
Financial Liabilities						
Borrowings	19,333,101	4,491,431	983,309	–	–	24,807,841
Accounts payable	–	–	–	–	819,401	819,401
Bonds payable	1,378,002	4,696,366	9,969,987	–	–	16,044,355
Other financial liabilities	–	–	4,426,734	8,723	2,194,681	6,630,138
Total financial liabilities	20,711,103	9,187,797	15,380,030	8,723	3,014,082	48,301,735
Interest rate gap	33,038,420	(6,490,903)	(13,849,828)	119,689	(2,951,664)	9,865,714

GROUP

As at December 31, 2018

	Within 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non-interest bearing	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial Assets						
Cash and bank balance	4,282,457	1,500	–	–	–	4,283,957
Financial assets at fair value through profit or loss	–	430,756	–	–	1,931,641	2,362,397
Finance lease receivables	61,148,271	397,753	106,688	–	–	61,652,712
Loans and other receivables	4,210,715	1,241,593	1,125,725	122,362	–	6,700,395
Accounts receivable	–	–	–	–	41,237	41,237
Financial assets held under resale agreements	–	980,836	–	–	–	980,836
Other financial assets	–	–	–	–	407,230	407,230
Total financial assets	69,641,443	3,052,438	1,232,413	122,362	2,380,108	76,428,764
Financial Liabilities						
Borrowings	19,790,696	3,882,468	5,209,957	2,115,492	–	30,998,613
Accounts payable	–	–	–	–	401,138	401,138
Bonds payable	5,555,424	7,301,435	14,594,792	–	–	27,451,651
Other financial liabilities	264,401	1,731,622	6,147,340	12,087	1,537,271	9,692,721
Total financial liabilities	25,610,521	12,915,525	25,952,089	2,127,579	1,938,409	68,544,123
Interest rate gap	44,030,922	(9,863,087)	(24,719,676)	(2,005,217)	441,699	7,884,641

COMPANY

As at December 31, 2016

	Within 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non-interest bearing	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial Assets						
Cash and bank balances	816,375	12,231	8,500	–	–	837,106
Finance lease receivables	32,013,836	581,510	671,755	–	–	33,267,101
Loans and receivables	2,149,182	685,300	1,144,217	132,377	–	4,111,076
Financial assets held under resale agreements	375,400	–	–	–	–	375,400
Accounts receivable	–	–	–	–	78,087	78,087
Other financial assets	–	–	–	–	64,244	64,244
Financial assets at fair value through profit or loss	–	–	–	–	950,679	950,679
Available-for-sale financial assets	–	–	122,602	–	1,038,401	1,161,003
Total financial assets	35,354,793	1,279,041	1,947,074	132,377	2,131,411	40,844,696
Financial Liabilities						
Borrowings	17,907,067	2,014,921	2,472,605	–	–	22,394,593
Accounts payable	–	–	–	–	567,491	567,491
Bonds payable	494,003	685,290	3,820,065	–	–	4,999,358
Other financial liabilities	136,045	460,752	3,050,010	9,500	636,153	4,292,460
Total financial liabilities	18,537,115	3,160,963	9,342,680	9,500	1,203,644	32,253,902
Interest rate gap	16,817,678	(1,881,922)	(7,395,606)	122,877	927,767	8,590,794

COMPANY

As at December 31, 2017

	Within 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non-interest bearing	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial Assets						
Cash and bank balances	1,520,853	39,085	3,000	543	–	1,563,481
Finance lease receivables	40,144,040	430,206	265,786	–	–	40,840,032
Loans and receivables	8,110,278	1,690,643	1,224,294	127,869	–	11,153,084
Accounts receivable	–	–	–	–	77	77
Other financial assets	–	–	–	–	137,168	137,168
Available-for-sale financial assets	450,185	–	–	–	–	450,185
Total financial assets	50,225,356	2,159,934	1,493,080	128,412	137,245	54,144,027
Financial Liabilities						
Borrowings	17,425,065	3,319,986	983,309	–	–	21,728,360
Accounts payable.	–	–	–	–	694,401	694,401
Bonds payable	1,378,002	4,696,366	9,969,987	–	–	16,044,355
Other financial liabilities	–	–	4,217,108	8,723	1,989,695	6,215,526
Total financial liabilities	18,803,067	8,016,352	15,170,404	8,723	2,684,096	44,682,642
Interest rate gap	31,422,289	(5,856,418)	(13,677,324)	119,689	(2,546,851)	9,461,385

As at December 31, 2018

	Within 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non-interest bearing	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial Assets						
Cash and bank balances	3,314,180	1,500	–	–	–	3,315,680
Financial assets at fair value through profit or loss	–	430,756	–	–	1,519,565	1,950,321
Financial assets held under resale agreements	–	980,836	–	–	–	980,836
Finance lease receivables	58,196,684	397,753	106,688	–	–	58,701,125
Loans and receivables	3,947,519	1,202,548	1,125,725	122,362	–	6,398,154
Accounts receivable	–	–	–	–	30,667	30,667
Other financial assets	–	44,500	112,027	–	401,286	557,813
Total financial assets	65,458,383	3,057,893	1,344,440	122,362	1,951,518	71,934,596
Financial Liabilities						
Borrowings	17,764,688	3,475,046	4,635,054	–	–	25,874,788
Accounts payable.	–	–	–	–	194,147	194,147
Bonds payable	5,555,424	7,301,435	14,594,792	–	–	27,451,651
Other financial liabilities	241,682	1,691,834	5,967,422	5,587	1,296,220	9,202,745
Total financial liabilities	23,561,794	12,468,315	25,197,268	5,587	1,490,367	62,723,331
Interest rate gap	41,896,589	(9,410,422)	(23,852,828)	116,775	461,151	9,211,265

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for interest bearing financial assets and liabilities. The analysis is prepared assuming the interest bearing financial assets and liabilities outstanding at the end of each reporting period were outstanding for the whole year or period. When reporting to the management on the interest rate risk, the Group will adopt a 100 basis points increase or decrease for sensitivity analysis, when considering the reasonably possible change in interest rates.

GROUP

	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Increase (decrease) post-tax profit			
100 basis points increase	116,184	195,602	261,213
100 basis points decrease	(116,184)	(195,602)	(261,213)
Increase (decrease) other comprehensive income			
100 basis points increase	(3,629)	(143)	–
100 basis points decrease	3,734	146	–

COMPANY

	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Increase (decrease) post-tax profit			
100 basis points increase	105,073	186,784	248,480
100 basis points decrease	(105,073)	(186,784)	(248,480)
Increase (decrease) other comprehensive income			
100 basis points increase	(1,564)	(143)	–
100 basis points decrease	1,609	146	–

Price Risk

The Group is exposed to price risk through its investment in monetary funds and wealth management products.

The management considers the price risk of the Group is not material as the ratio of the Group's investment in monetary funds and wealth management products is minimal.

50.4 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 securities and withdraw request from lessees under finance leases.

Liquidity risk management policy

The Group implements the following procedures to manage the liquidity:

- Managing daily cash position through future cash flows monitoring;
- Monitoring liquidity ratios meet internal and regulatory requirements;
- Managing the concentration of maturities of liabilities;
- Establishing emergency plan through obtaining credit facilities with commercial banks.

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 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:

GROUP

As at December 31, 2016

	Overdue	Indefinite/On demand	Within 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial Assets							
Cash and bank balances	–	686,266	163,986	12,532	8,705	–	871,489
Finance lease receivables	386,511	–	3,765,505	12,606,136	25,433,806	11,645	42,203,603
Loans and receivables	–	–	782,416	2,075,736	2,062,525	149,695	5,070,372
Financial assets held under resale agreements	–	–	528,939	–	–	–	528,939
Accounts receivable	4,016	79,793	–	–	–	–	83,809
Other financial assets	–	15,702	30	–	–	–	15,732
Financial assets at fair value through profit or loss	–	950,679	–	–	–	–	950,679
Available-for-sale financial assets	–	904,281	357,862	–	275,670	–	1,537,813
Non-derivative financial assets Total	390,527	2,636,721	5,598,738	14,694,404	27,780,706	161,340	51,262,436
Financial Liabilities							
Borrowings	–	–	3,013,732	11,140,174	11,725,979	–	25,879,885
Accounts payable	–	567,491	–	–	–	–	567,491
Bonds payable	–	–	545,731	824,744	4,156,213	–	5,526,688
Other financial liabilities	–	464,773	202,073	557,846	3,521,003	18,518	4,764,213
Non-derivative financial liabilities total	–	1,032,264	3,761,536	12,522,764	19,403,195	18,518	36,738,277
Net position	390,527	1,604,457	1,837,202	2,171,640	8,377,511	142,822	14,524,159

As at December 31, 2017

	Overdue	On demand	Within 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial Assets							
Cash and bank balances	–	1,457,010	711,849	465,421	3,037	543	2,637,860
Finance lease receivables	284,708	–	5,951,271	17,904,973	25,036,034	63,982	49,240,968
Loans and receivables	–	–	2,112,194	6,191,638	4,151,397	166,089	12,621,318
Accounts receivables	4,017	757	–	–	–	–	4,774
Other financial assets	–	27,843	1,000	–	–	–	28,843
Available-for-sale financial assets	–	–	471,177	–	–	16,914	488,091
Non-derivative financial assets Total	288,725	1,485,610	9,247,491	24,562,032	29,190,468	247,528	65,021,854
Financial Liabilities							
Borrowings	–	–	3,740,866	12,240,540	9,688,857	479,162	26,149,425
Accounts payable.	–	819,401	–	–	–	–	819,401
Bonds payable	–	–	1,194,966	5,140,812	11,108,833	–	17,444,611
Other financial liabilities	–	152,202	226,249	1,128,534	4,748,305	65,394	6,320,684
Non-derivative financial liabilities total	–	971,603	5,162,081	18,509,886	25,545,995	544,556	50,734,121
Net position	288,725	514,007	4,085,410	6,052,146	3,644,473	(297,028)	14,287,733

GROUP

As at December 31, 2018

	Overdue	On demand	Within 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial Assets							
Cash and bank balances	–	3,770,665	188,115	346,581	–	–	4,305,361
Financial assets at fair value through profit or loss	–	–	1,897,825	439,201	–	36,078	2,373,104
Financial assets held under resale agreements	–	–	–	985,109	–	–	985,109
Finance lease receivables	434,659	–	9,000,316	25,361,270	34,344,977	284,646	69,425,868
Loans and receivables	35,478	–	1,225,082	3,702,683	2,666,466	158,399	7,788,108
Accounts receivables	4,016	41,472	–	–	–	–	45,488
Other financial assets	–	383,988	995	–	–	–	384,983
Non-derivative financial assets Total	474,153	4,196,125	12,312,333	30,834,844	37,011,443	479,123	85,308,021
Financial Liabilities							
Borrowings	–	–	6,535,588	12,414,155	11,601,511	1,546,642	32,097,896
Accounts payable.	–	401,138	–	–	–	–	401,138
Bonds payable	–	–	5,886,203	8,093,488	15,374,216	–	29,353,907
Other financial liabilities	–	121,231	305,249	2,049,570	6,501,570	187,365	9,164,985
Non-derivative financial liabilities total	–	522,369	12,727,040	22,557,213	33,477,297	1,734,007	71,017,926
Net position	474,153	3,673,756	(414,707)	8,277,631	3,534,146	(1,254,884)	14,290,095

COMPANY

As at December 31, 2016

	Overdue	On demand	Within 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial Assets							
Cash and bank balances	–	653,455	163,986	12,532	8,705	–	838,678
Finance lease receivables	386,298	–	3,456,206	11,523,648	23,141,959	11,645	38,519,756
Loans and receivables	–	–	632,507	1,882,775	1,930,164	149,695	4,595,141
Financial assets held under resale agreements	–	–	375,428	–	–	–	375,428
Accounts receivable	–	79,356	–	–	–	–	79,356
Other financial assets	–	57,768	30	–	–	–	57,798
Financial assets at fair value through profit or loss	–	950,679	–	–	–	–	950,679
Available-for-sale financial assets	–	893,367	150,316	–	118,756	–	1,162,439
Non-derivative financial assets total	386,298	2,634,625	4,778,473	13,418,955	25,199,584	161,340	46,579,275
Financial Liabilities							
Borrowings	–	–	2,481,910	10,457,307	10,782,193	–	23,721,410
Accounts payable	–	567,491	–	–	–	–	567,491
Bonds payable	–	–	545,731	824,744	4,156,213	–	5,526,688
Other financial liabilities	–	123,776	202,073	546,120	3,281,002	9,500	4,162,471
Non-derivative financial liabilities total	–	691,267	3,229,714	11,828,171	18,219,408	9,500	33,978,060
Net position	386,298	1,943,358	1,548,759	1,590,784	6,980,176	151,840	12,601,215

COMPANY

As at December 31, 2017

	Overdue	On demand	Within 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial Assets							
Cash and bank balances.	–	1,419,353	101,610	39,215	3,037	543	1,563,758
Finance lease receivables	284,708	–	5,590,884	16,849,696	23,473,725	63,982	46,262,995
Loans and receivables	–	–	2,058,688	6,013,133	4,002,326	157,682	12,231,829
Accounts receivable	–	255	–	–	–	–	255
Other financial assets	–	121,374	1,000	–	–	–	122,374
Available-for-sale financial assets	–	–	471,177	–	–	–	471,177
Non-derivative financial assets total	284,708	1,540,982	8,223,359	22,902,044	27,479,088	222,207	60,652,388
Financial Liabilities							
Borrowings	–	–	3,455,390	10,400,558	9,004,340	–	22,860,288
Accounts payable	–	694,401	–	–	–	–	694,401
Bonds payable	–	–	1,194,966	5,140,812	11,108,833	–	17,444,611
Other financial liabilities	–	70,867	226,233	1,085,163	4,535,634	8,723	5,926,620
Non-derivative financial liabilities total	–	765,268	4,876,589	16,626,533	24,648,807	8,723	46,925,920
Net position	284,708	775,714	3,346,770	6,275,511	2,830,281	213,484	13,726,468

As at December 31, 2018

	Overdue	On demand	Within 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial Assets							
Cash and bank balances	–	3,214,180	100,027	1,507	–	–	3,315,714
Financial assets at fair value – through profit or loss	–	–	1,521,827	439,201	–	–	1,961,028
Financial assets held under resale agreements	–	–	–	985,109	–	–	985,109
Finance lease receivables	434,659	–	8,648,988	24,090,474	32,786,038	40,151	66,000,310
Loans and receivables	35,478	–	1,131,229	3,571,478	2,582,361	153,342	7,473,888
Accounts receivables	–	30,836	–	–	–	–	30,836
Other financial assets	–	382,127	995	51,747	130,190	–	565,059
Non-derivative financial assets total	470,137	3,627,143	11,403,066	29,139,516	35,498,589	193,493	80,331,944
Financial Liabilities							
Borrowings	–	–	5,155,490	11,553,799	10,097,112	–	26,806,401
Accounts payable	–	194,147	–	–	–	–	194,147
Bonds payable	–	–	5,886,203	8,093,488	15,374,216	–	29,353,907
Other financial liabilities	–	118,999	282,530	2,009,782	6,315,585	8,326	8,735,222
Non-derivative financial liabilities total	–	313,146	11,324,223	21,657,069	31,786,913	8,326	65,089,677
Net position	470,137	3,313,997	78,843	7,482,447	3,711,676	185,167	15,242,267

Cash flow for derivative financial instruments

The following tables detail the Group's liquidity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted gross inflows and outflows on those derivatives that require gross settlement.

Derivative settled on a gross basis

GROUP/COMPANY

	Less than 3 months	3 months to 1 year	1 year to 5 years	5 years and above	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
December 31, 2016					
Currency forwards					
Total inflows	4,094	12,179	465,663	–	481,936
Total outflows	(3,866)	(11,499)	(438,304)	–	(453,669)
	228	680	27,359	–	28,267

	Less than 3 months	3 months to 1 year	1 year to 5 years	5 years and above	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
December 31, 2017					
Currency forwards					
Total inflows	3,856	533,725	–	–	537,581
Total outflows	(3,916)	(540,588)	–	–	(544,504)
	(60)	(6,863)	–	–	(6,923)

	Less than 3 months	3 months to 1 year	1 year to 5 years	5 years and above	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
December 31, 2018					
Currency forwards					
Total inflows	16,021	559,622	1,418,363	–	1,994,006
Total outflows	(16,012)	(551,630)	(1,406,728)	–	(1,974,370)
	9	7,992	11,635	–	19,636

50.5 Capital management

The Group manages its capital to ensure that the group companies in the Group is able to operate as a going concern by optimizing the structure of the debt and shareholders' equity while maximizing shareholders' return. The objective of the Company's capital management is to ensure in compliance with the relevant laws, regulations and other regulatory requirements. According to the Measures for the Administration of Foreign Investment in the Leasing Industry issued by Ministry of Commerce of PRC (Ministry of Commerce Order 2005 No. 5) (hereinafter referred to as "the Administrative Measures") and other relevant laws and regulations, the Company's risk assets shall not exceed 10 times of net assets. Based on the Administrative Measures, the risk assets for leasing companies is determined by minusing cash, bank deposits, treasury bonds and entrusted lease assets from the Company's total assets.

At the end of each reporting date during the Track Record Period, the risk assets to net assets ratio did not violate aforementioned regulations.

51. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Financial instruments that are not measured at fair value

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

GROUP/COMPANY

	Carrying amount			Fair value		
	As at December 31,			As at December 31,		
	2016	2017	2018	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bonds Payable	4,999,358	16,044,355	27,451,651	4,981,347	15,967,827	27,718,356

Financial instruments that are not measured at fair value

GROUP/COMPANY

Fair value hierarchy of financial instruments not measured at fair value:

As at December 31, 2016

	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Financial liabilities				
Bonds payable	–	(4,981,347)	–	(4,981,347)

As at December 31, 2017

	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Financial liabilities				
Bonds payable	–	(15,967,827)	–	(15,967,827)

As at December 31, 2018

	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Financial liabilities				
Bonds payable	–	(27,718,356)	–	(27,718,356)

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

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

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

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

GROUP

Financial assets/ financial liabilities	Fair value as at December 31, 2016	Fair value as at December 31, 2017	Fair value as at December 31, 2018	Fair value Hierarchy	Valuation technique(s) and key input(s)
	RMB'000	RMB'000	RMB'000		
1) Financial assets at fair value through profit and loss					
- Monetary funds:	Assets: 950,679	Assets:-	Assets: 1,895,563	Level 2	Based on the product's value. Net value based on the quoted price from the issuer / financial institution.
- Equity investments	Assets:-	Assets:-	Assets: 36,078	Level 3	Using market approach, with reference to the market value of the comparable listed company, as well as the liquidity discount impact.
- Structured deposits	Assets:-	Assets:-	Assets: 430,756	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest/ exchange rates (from observable yield curves at the end of the reporting period) and contract interest / exchange rates, discounted at a rate that reflects the credit risk of various counterparties.
2) Currency forwards	Assets: 27,193 Liabilities: -	Assets:- Liabilities: (7,802)	Assets:7,814 Liabilities: (2,720)	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.
3) Interest rate swaps	Assets: 2,117 Liabilities:-	Assets: 1,925 Liabilities:-	Assets: 2,356 Liabilities: (20,752)	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, discounted at a rate that reflects the credit risk of various counterparties.

Financial assets/ financial liabilities	Fair value as at December 31, 2016	December 31, 2017	December 31, 2018	Fair value Hierarchy	Valuation technique(s) and key input(s)
	RMB'000	RMB'000	RMB'000		
4) Available-for-sale investments					
- Wealth management products	Assets: 1,038,401	Assets: 450,185	N/A	Level 2	Discounted cash flow. Discount rate based on the expected return rate.
- Structured notes	Assets: 476,960	Assets: -	N/A	Level 2	Discounted cash flow. Discount rate based on the expected return rate.

COMPANY

Financial assets/ financial liabilities	Fair value as at December 31, 2016	December 31, 2017	December 31, 2018	Fair value Hierarchy	Valuation technique(s) and key input(s)
	RMB'000	RMB'000	RMB'000		
1) Financial assets at fair value through profit and loss					
- Monetary funds	Assets: 950,679	Assets:-	Assets: 1,519,565	Level 2	Based on the product's net value. Net value based on the quoted price from the issuer/financial institution
- Structured deposits	Assets:-	Assets:-	Assets: 430,756	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest / exchange rates (from observable yield curves at the end of the reporting period) and contract interest / exchange rates, discounted at a rate that reflects the credit risk of various counterparties.
2) Currency forwards	Assets: 27,193 Liabilities: -	Assets:- Liabilities: (7,802)	Assets:7,814 Liabilities: (2,720)	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.
3) Interest rate swaps	Assets: 2,117 Liabilities: -	Assets: 1,925 Liabilities: -	Assets:- Liabilities: (2,559)	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.

Financial assets/ financial liabilities	Fair value as at December 31, 2016	Fair value as at December 31, 2017	Fair value as at December 31, 2018	Fair value Hierarchy	Valuation technique(s) and key input(s)
	RMB'000	RMB'000	RMB'000		
4) Available-for-sale investments					
- Wealth management products	Assets: 1,038,401	Assets: 450,185	N/A	Level 2	Discounted cash flow. Discount rate based on the expected return rate.
- Structured notes	Assets: 122,602	Assets:-	N/A	Level 2	Discounted cash flow. Discount rate based on the expected return rate.

52. PARTICULARS OF SUBSIDIARIES

Company

	As at December 31, 2016	As at December 31, 2017	As at December 31, 2018
	RMB'000	RMB'000	RMB'000
Unlisted shares, at cost	1,204,576	1,211,420	2,060,074

During the Track Record Period and as at the date of this report, the Company has direct and indirect equity interests in the following subsidiaries:

Name of subsidiaries	Place and date of Incorporation/ establishment	Paid-in share capital/registered capital	Equity interest held by the Company At December 31, 2016	2017	2018	As at date of this report	Principal activities	Notes
Directly held:								
Haitong UniFortune International Leasing Co., Ltd.	People's Republic of China December 6, 2011	RMB 210,000,000	75%	75%	75%	[●]	Leasing	(a)
Shanghai Unicircle Investment & Development Co., Ltd.	People's Republic of China July 20, 2006	RMB 100,000,000	100%	100%	100%	[●]	Trading	(a)
Haitong UniTrust Financial Leasing (Shanghai) Corporation	People's Republic of China, July 29, 2014	RMB 1,360,000,000	75%	75%	75%	[●]	Leasing	(a)
Haitong UT Leasing HK Limited	Hong Kong, April 25, 2017	USD 34,470,000	N/A	100%	100%	[●]	Leasing	(b)
Penglai Hengshi Properties Limited	People's Republic of China, May 17, 2018	RMB 15,000,000	N/A	N/A	95%	[●]	Government outsourcing businesses such as shanty town renovation	(c)
Longyao County Hengjing Engineering Project Management Co., Ltd.	People's Republic of China, August 7, 2018	RMB 37,608,500	N/A	N/A	90%	[●]	PPP project management	(c)
Longyao County Yutong Engineering Project Management Co., Ltd.	People's Republic of China, August 7, 2018	RMB 65,151,880	N/A	N/A	90%	[●]	PPP project management	(c)
Indirectly held:								
Haitong Unitrust No.1 Limited	Ireland, October 18, 2016	USD 1	100%	100%	100%	[●]	Aircraft leasing	(d)
Haitong UT Leasing Irish Holding Corporation Limited	Ireland, June 21, 2017	USD 1	100%	100%	100%	[●]	Financial service on aircraft related business	(d)
Haitong Unitrust No.2 Limited	Ireland, July 3, 2017	USD 1	100%	100%	100%	[●]	Aircraft leasing	(d)
Haitong Unitrust No.3 Limited	Ireland, July 3, 2017	USD 1	100%	100%	100%	[●]	Aircraft leasing	(d)

Name of subsidiaries	Place and date of Incorporation/ establishment	Paid-in share capital/registered capital	Equity interest held by the Company At December 31, 2016	2017	2018	As at date of this report	Principal activities	Notes
Haitong Unitrust No.4 Limited	Ireland, July 3, 2017	USD 1	100%	100%	100%	[●]	Aircraft leasing	(d)
Haitong Unitrust No.5 Limited	Ireland, July 3, 2017	USD 1	100%	100%	100%	[●]	Aircraft leasing	(d)
Haitong Unitrust No.6 Limited	Ireland, July 3, 2017	USD 1	100%	100%	100%	[●]	Aircraft leasing	(d)
Haitong UT Leasing Irish Finance Limited	Ireland, April 18, 2018	USD 1	N/A	N/A	100%		Financial service on aircraft related business	(c)
Shanghai Dingjie Construction Development Co., Ltd.	People's Republic of China, July 18, 2018	RMB 20,000,000	N/A	N/A	100%	[●]	Government outsourcing business	(c)
Haitong UT HK 1 Limited	Hong Kong, August 13, 2018	USD 1	N/A	N/A	100%	[●]	Leasing	(c)
Haitong UT HK 2 Limited	Hong Kong, August 13, 2018	USD 1	N/A	N/A	100%	[●]	Leasing	(c)
Haitong UT HK 3 Limited	Hong Kong, August 13, 2018	USD 1	N/A	N/A	100%	[●]	Leasing	(c)
Haitong UT HK 4 Limited	Hong Kong, August 13, 2018	USD 1	N/A	N/A	100%	[●]	Leasing	(c)
Haitong UT HK 5 Limited	Hong Kong, August 13, 2018	USD 1	N/A	N/A	100%	[●]	Leasing	(c)
Haitong UT HK 6 Limited	Hong Kong, August 13, 2018	USD 1	N/A	N/A	100%	[●]	Leasing	(c)
Haitong UT HK 7 Limited	Hong Kong, August 13, 2018	USD 1	N/A	N/A	100%	[●]	Leasing	(c)
Haitong UT HK 8 Limited	Hong Kong, August 13, 2018	USD 1	N/A	N/A	100%	[●]	Leasing	(c)
Haitong UT HK 9 Limited	Hong Kong, August 13, 2018	USD 1	N/A	N/A	100%	[●]	Financial service on aircraft related business	(c)
Haitong UT HK 10 Limited	Hong Kong, August 13, 2018	USD 1	N/A	N/A	100%	[●]	Financial service on aircraft related business	(c)

All subsidiaries now comprising the Group are limited liability companies and have adopted December 31 as their financial year end date.

Notes:

(a) The statutory audited financial statements for the period ended December 31, 2016 and 2017 were prepared in accordance with relevant accounting principles and financial regulations applicable to the PRC enterprises and were audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP, a firm of certified public accountants registered in the PRC. Despite holding 75% of the ownership interest of Haitong UniTrust Financial Leasing (Shanghai) Corporation and Haitong UniFortune International Leasing Co., Limited, on June 8, 2017, the Company entered into an agreement with Haitong UT Capital Group Co., Limited ("the Parent Company"), pursuant to which the Company agreed to acquire 25% equity interest in each of Haitong UniTrust Financial Leasing (Shanghai) Corporation and Haitong UniFortune International Leasing Co., Limited from the Parent Company. Under such agreement, the Company shall exercise, on behalf of the Parent Company, all shareholder's rights other than the rights to sell and to receive income (including cash dividend and stock dividend), including but not limited to the rights to decide and to vote and other shareholder's rights of such equity interests. No statutory audited financial statements for the period ended December 31, 2018 as they are not yet due for issuance.

(b) The statutory audited financial statements for the period ended December 31, 2017 were prepared in accordance with HKFRSs issued by Hong Kong Institute of Certified Public Accountants ("HKICPA") and were audited by Deloitte Touche Tohmatsu Certified Public Accountants Hong Kong, a firm of certified public accountants registered in the Hong Kong. On October 12, 2018, the registered share capital increased from USD1,000,000 to USD34,470,000. No statutory audited financial statements for the period ended December 31, 2018 as they are not yet due for issuance.

(c) No statutory audited financial statements have been prepared for the period ended December 31, 2018 since it is newly incorporated during the period ended December 31, 2018 and the financial statements are not yet due for issuance.

(d) The statutory audited financial statements for the period ended December 31, 2017 were prepared in accordance with relevant accounting principles and financial regulations conform with International Financial Reporting Standards (IFRSs) as adopted by the European Union and were audited by Deloitte Ireland LLP, Chartered Accountants and Statutory Audit Firm. No statutory audited financial statements for the period ended December 31, 2018 as they are not yet due for issuance.

53. SUBSEQUENT EVENTS

Saved as disclosed in the report, subsequent to the end of the Track Record Period, the following significant events took place:

On February 19, 2019, the Company issued ultra-short-term commercial paper at par with principal amount of RMB1,000 million, coupon rate of 3.25% and a maturity period of 270 days.

On February 21, 2019, the Company issued asset-backed securities with four tranches: senior A1 tranche with principal amount of RMB600 million, coupon rate of 3.83%, and a maturity period of 12 months, senior A2 tranche with principal amount of RMB560 million, coupon rate of 4.18%, and a maturity period of 24 months; senior A3 tranche with RMB280 million, coupon rate of 5.00%, and a maturity period of 33 months; junior tranche with principal amount of RMB80 million and a maturity period of 36 months. The Company holds all junior tranche asset-backed securities.

On February 26, 2019, the Company issued private placement notes at par with principal amount of RMB500 million, coupon rate of 5.20% and a maturity period of 3 years.

On March 6, 2019, the Company issued ultra-short-term commercial paper at par with principal amount of RMB1,000 million, coupon rate of 3.10% and a maturity period of 270 days.

On March 13, 2019, the Company issued asset-backed securities with four tranches: senior A1 tranche with principal amount of RMB600 million, coupon rate of 4.00%, and a maturity period of 11 months, senior A2 tranche with principal amount of RMB200 million, coupon rate of 4.05%, and a maturity period of 17 months; senior A3 tranche with RMB150 million, coupon rate of 4.70%, and a maturity period of 20 months; junior tranche with principal amount of RMB50 million and a maturity period of 35 months. The Company holds all junior tranche asset-backed securities.

54. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company or any of its subsidiaries have been prepared in respect of any period subsequent to the end of the Track Record Period.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

TAXATION IN THE PRC

PRC TAXATION OF INVESTORS IN THE H SHARES

The following is a summary of certain PRC tax consequences to investors relating to their subscription of H Shares under the Share Offer and the holding of H Shares as capital assets. This summary does not purport to address all material tax consequences of the ownership of H Shares, and does not take into account the specific circumstances of any particular investor, some of which may be subject to special provisions. This summary is based on the taxation laws of the PRC in effect as of the Latest Practicable Date, all of which are subject to change (or changes in interpretation), possibly with retroactive effect.

This appendix does not address any aspect of the PRC taxation other than income tax, capital tax, business tax, stamp duty and estate duty. Prospective investors are advised to consult their tax advisors regarding the PRC and other tax consequences of investment in H Shares.

Taxation of dividends

Individual Investors

According to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得税法》) (the "IIT Law") promulgated on September 10, 1980 and amended six times on October 31, 1993, August 30, 1999, October 27, 2005, June 29, 2007, December 29, 2007 and June 30, 2011, respectively, and the Implementation Rules on the Individual Income Tax Law of the PRC (《中華人民共和國個人所得税法實施條例》) (the "Implementation Rules on the IIT Law") promulgated on January 28, 1994, amended three times on December 19, 2005, February 18, 2008 and July 19, 2011, respectively, and which became effective as of September 1, 2011, any individual, who does not have any residence and does not reside or has resided in the PRC for less than one year without any residence, shall be subject to individual income tax at a rate of 20% for any interest, dividend and bonus obtained from corporations (such as the Company), enterprises and other economic organizations or individuals within the PRC.

Enterprise Investors

According to the Notice on the Issues Concerning Withholding Enterprise Income Tax on the Dividends Payable by PRC Resident Enterprises to Overseas Non-PRC Resident Enterprise H Share Holders (Guo Shui Han[2008] No. 897) (《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税有關問題的通知》（國税函[2008]897號）) issued by the SAT on November 6, 2008, a PRC resident enterprise must withhold enterprise income tax at a unified rate of 10% on dividends paid to overseas non-PRC resident enterprise holders of H Shares for 2008 and afterwards. The Reply on Imposition of Enterprise Income Tax on B-share and Other Dividends of Non-resident Enterprises (Guo Shui Han [2009] No.394) (《關於非居民企業取得B股等股票股息徵收企業所得税問題的批覆》（國税函[2009]394號）) issued by the SAT on July 24, 2009 further provides that any PRC-resident enterprise of which the shares (A shares, B shares and foreign shares) are publicly issued or listed within or outside the PRC must withhold enterprise income tax at a unified rate of 10% on dividends for 2008 and afterwards paid to non-PRC resident enterprise shareholders. Therefore, dividends paid by the Company to non-resident enterprise shareholders will be subject to enterprise tax at a rate of 10%, which is required to be withheld at source. A non-PRC resident enterprise shareholder who is entitled to a preferential tax rate may apply

for a refund in accordance with the requirements of an applicable tax treaty. Pursuant to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion Regarding Income Tax (《內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排》) signed between the PRC government and Hong Kong on August 21, 2006, and amended by the second, third and fourth agreements on January 30, 2008, May 27, 2010 and April 1, 2015, respectively, the PRC government may impose tax on dividends paid to a Hong Kong resident by a PRC company. If the beneficial owner directly holds 25% or more of equity interest in the company which paid dividends, the tax imposed shall not exceed 5% of the total amount of dividends. Save for the foregoing circumstances, the tax imposed shall not exceed 10% of the total amount of dividends.

Tax Treaties

Non-PRC resident investors residing in countries which have entered into treaties for the avoidance of double taxation with the PRC may be entitled to preferential tax rates on dividends received by such investors from the PRC company. The PRC has entered into treaties for the avoidance of double taxation with certain other countries and regions, including Hong Kong, Macau, Austria, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States. A non-PRC resident enterprise which is entitled to a preferential tax rate under a relevant income tax treaty or arrangement must apply to the PRC tax authorities for a refund of the difference between the amounts of tax withheld and tax computed based on the treaty rate, and such refund is subject to the approval of PRC tax authorities.

Pursuant to the Notice of the State Administration of Taxation on Issues Concerning the Implementation of the Dividend Terms of the Tax Agreement (《國家税務總局關於執行税收協定股息條款有關問題的通知》) issued by the SAT on February 20, 2009, dividends paid by a PRC company shall not be entitled to special tax treatments under relevant tax agreements unless certain conditions are met. For instance, a shareholder who receives dividends must be qualified under relevant tax agreements and must directly own certain equity interests and voting shares in the PRC company within 12 months before the distribution of dividends. In addition, pursuant to the Administrative Measures for Non-residents to Enjoy the Treatments of Tax Treaties (《非居民納税人享受税收協議待遇管理辦法》) promulgated by the SAT on August 27, 2015 and effective as of November 1, 2015, preferential tax treatments shall be subject to the approval of local competent tax authorities.

Taxation on Gains from Share Transfers

Individual Investors

In accordance with the IIT Law and the Implementation Rules on the IIT Law, individuals are subject to individual income tax at the rate of 20% on gains realized on the transfer of properties, incidental gains or gains from other sources, including gains realized on the sale of equity interests in PRC resident enterprises. The Implementation Rules on the IIT Law also provide that measures related to the individual income tax on gains from share transfers shall be formulated by the financial department under the State Council and their implementation shall be subject to the approval of the State Council. However, such measures have not yet been implemented. Under the Circular Declaring that Individual Income Tax Continues to Be Exempted over Individual Income from Transfer of Shares (Cai Shui Zi [1998] No. 61) (《關於個人轉讓股票所得繼續暫免徵收個人所得税的通知》（財税字[1998]61號）) issued by the MOF and the SAT on March 30, 1998, from January 1, 1997 onwards, gains of individuals from the transfer of shares of listed enterprises continues to be exempted from individual

income tax. The MOF, the SAT and the CSRC issued the Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation (Cai Shui [2009] No. 167) (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》（財稅[2009]167號）) on December 31, 2009, which provides that, from January 1, 2010 onwards, individuals' gains from transferring listed shares are subject to individual income tax at a rate of 20%. However, the existing laws and regulations have not expressly provided the tax rate on non-PRC resident individuals on the sale of shares of enterprises listed on overseas stock exchanges, and the tax authorities have not levied income tax on gains from such share transfers.

Enterprise Investors

In accordance with the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (the "EIT Law") and its implementation rules, a non-PRC resident enterprise is subject to enterprise income tax at the rate of 10% with respect to PRC-sourced income if it does not have an establishment or premises in the PRC or has an establishment or premises in the PRC but the PRC-sourced income is not actually connected with such establishment or premises in the PRC. Such enterprise income tax may be reduced under applicable treaties or agreements for the avoidance of double taxation.

Stamp duty

Under the Provisional Regulations of the PRC Concerning Stamp Duty (《中華人民共和國印花稅暫行條例》) effective as of October 1, 1988 and amended on January 8, 2011 and the Implementation Rules on the Provisional Regulations of the PRC Concerning Stamp Duty (《中華人民共和國印花稅暫行條例施行細則》) effective as of October 1, 1988, entities established within the PRC and individuals resident within the PRC are subject to stamp duty on certain taxable documents that are legally binding in the PRC and governed by PRC laws. Taxpayers must calculate taxes payable based on the proportional tax rate or the fixed amount according to the nature of the taxable documents. PRC stamp duty does not apply to acquisitions or dispositions of H Shares outside the PRC.

PRC TAXATION OF THE COMPANY

Enterprise Income Tax

In accordance with the EIT Law which was promulgated on March 16, 2007 and became effective on January 1, 2008, a resident enterprise refers to an enterprise that is established within the PRC, or which is established under the law of a foreign country (region) but whose de-facto management body is within the PRC. A resident enterprise must pay the enterprise income tax on its incomes derived from both within and outside the PRC at the rate of 25%.

According to the EIT Law, a non-resident enterprise refers to an enterprise established under the law of a foreign country (region), whose de-facto management body is not within the PRC but which has an establishment or premises within the PRC, or which does not have any establishment or premises within the PRC but has incomes sourced in the PRC. A non-resident enterprise must pay enterprise income tax on its incomes derived from its establishment or premises within the PRC as well as on incomes that are derived from outside the PRC but are actually connected with its establishment or premises in the PRC at the rate of 25%. A non-resident enterprise having no establishment or premises within the PRC, or whose incomes have no actual connection to its establishment or premises within the PRC, must pay enterprise income tax on the incomes derived from the PRC at the rate of 10%.

VAT

According to the Interim Regulation on Value Added Tax of the PRC (《中華人民共和國增值稅暫行條例》) promulgated by the State Council on December 13, 1993 and effective as of January 1, 1994, and subsequently amended on November 10, 2008 and revised and effective as of February 6, 2016, and the Implementation Rules on VAT Interim Regulation (《增值稅暫行條例實施細則》) promulgated by MOF and effective as of December 25, 1993 and amended on December 15, 2008 and October 28, 2011, all enterprise and individual taxpayers involved in the sale of goods or provision of processing, repairing and replacement services and imported goods are subject to VAT. General taxpayers who sell and import various goods and taxpayers who provide processing and repairing and replacement services shall be subject to VAT at a rate of 17%. Unless otherwise provided, the applicable tax rate for exported commodities is zero. Small scale taxpayers who sell goods or taxable services shall be subject to VAT at a rate of 3% based on sales and a levy rate for the simple calculation of the taxable amount.

In addition, according to the Proposal for Pilot Reform for Transition from Business Tax to Value-added Tax (《營業稅改徵增值稅試點方案》) issued by the MOF and SAT, since January 1, 2012, regions with significant economic radiation effect and reform demonstration, and transportation industry, certain modern service industry and other productive service industries have carried out a pilot reform for transition from business tax to value-added tax. Pursuant to Notice of the MOF and SAT on Implementing the Pilot Reform for Transition from Business Tax to Value-added Tax Nationwide (《財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知》) promulgated by the MOF and SAT on March 23, 2016, since May 1, 2016, the pilot reform for the transition from business tax to VAT (the "B2V Reform") has been implemented nationwide and all business taxpayers in the construction industry, real estate industry, financial industry and domestic services industry have been included in such pilot reform and are required to pay VAT instead of business tax. According to the Notice of the Ministry of Finance and the State Administration of Taxation on the Adjustment to VAT Rates (Cai Shui [2018] No. 32) (《關於調整增值稅稅率的通知》(財稅[2018]32號)) jointly issued by the Ministry of Finance and the State Administration of Taxation on April 4, 2018 and implemented on May 1, 2018, the deduction rates of 17% and 11% applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 16% and 10%, respectively.

FOREIGN EXCHANGE CONTROLS OF THE PRC

Renminbi is the lawful currency of the PRC, which is subject to foreign exchange controls and is not freely exchangeable. The SAFE, under the authorization of the PBOC, is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

A strict foreign exchange control system has been adopted in the PRC and such system has undergone various major reforms. The Regulations of the PRC for the Control of Foreign Exchange (《中華人民共和國外匯管理條例》) (the "Foreign Exchange Control Regulations"), issued by the State Council on January 29, 1996, effective on April 1, 1996 and amended on January 14, 1997 and August 5, 2008, respectively, are the existing major regulations on foreign exchange control, and are applicable to the foreign exchange income and expense or foreign exchange activities of domestic and overseas institutions and individuals. The Regulations for Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》), promulgated by the PBOC on June 20, 1996 and effective on July 1, 1996 provides the regulations on settlement, sale, payment, opening foreign exchange account, external payment and other matters for domestic institutions, resident individuals, institutions in the PRC and personnel visiting China.

In accordance with the existing Foreign Exchange Control Regulations, the PRC permits domestic institutions and individuals to retain foreign exchange instead of mandatory sale of settlement. Foreign exchange income received overseas can be repatriated or deposited overseas. RMB-denominated current account items may be exchanged in the PRC. Enterprises may determine, at their discretion, whether to retain or sell their foreign exchange income from current account items to financial institutions engaging in the foreign exchange settlement or sale business based on their needs. They may, based on their needs, settle foreign exchange payment from current account items with their own foreign currencies or foreign currencies purchased from financial institutions engaging in foreign exchange settlement or sale business according to valid certificates. Since RMB-denominated capital account items are not yet exchangeable, such capital account items are still subject to restrictions. Foreign institutions and individuals conducting direct investment or engaging in the issuance of marketable securities or derivatives within the PRC, and domestic institutions and individuals conducting direct investment or engaging in the issuance of marketable securities or derivatives overseas shall register for foreign exchange approval. Domestic enterprises borrowing foreign debts or providing external guarantees shall register for foreign debts or external guarantees. Retaining or selling foreign exchange income from capital account items to financial institutions engaging in foreign exchange settlement and sale business shall be subject to the approval of foreign exchange authorities (except for those exempted by national regulations). Foreign exchange and settlement funds under capital account items shall be used for the purposes approved by competent departments and foreign exchange authorities.

In addition, the Notice of the State Administration of Foreign Exchange on Issues Concerning the Foreign Exchange Administration of Overseas Listing (Hui Fa [2014] No. 54) (《國家外匯管理局關於境外上市外匯管理有關問題的通知》(匯發[2014]54號)) issued and implemented by the SAFE on December 26, 2014, regulates matters related to the administration for foreign exchange of domestic enterprises **[REDACTED]** overseas, including:

- State Administration of Foreign Exchange and its branches (the "SAFE") monitor, manage and inspect the domestic enterprises in respect of their business registration, opening and usage of accounts, cross-border incomes and expenses, and exchange and remittance of funds involved in the overseas **[REDACTED]**;
- a domestic enterprise shall register for its overseas **[REDACTED]** with SAFE at the place of its incorporation with relevant documents within 15 working days upon the end of its initial **[REDACTED]** overseas;
- for its initial **[REDACTED]** (or additional **[REDACTED]**) and business buy-backs, a domestic enterprise can open a "special foreign currency account of a domestic company for overseas **[REDACTED]**" with a certificate of overseas **[REDACTED]** to exchange and transfer funds related to such business;
- a domestic enterprise shall open a corresponding settlement-pending account (the "Pending Account") at the account-opening bank in respect of its overseas **[REDACTED]** for the deposit of funds in Renminbi derived from the settlement of overseas **[REDACTED]** account, overseas **[REDACTED]** funds repatriated in Renminbi, funds for repurchasing overseas shares in Renminbi and remaining funds repatriated after the repurchase;
- a domestic enterprise's **[REDACTED]** from the overseas **[REDACTED]** may be remitted to the domestic account or deposited in an overseas account, but the use of the **[REDACTED]** shall be consistent with the content of the document or other disclosure documents such as documents for the issuance of corporate bonds, circulars to shareholders and resolutions of the Board of

Directors or the shareholders' meetings. The **[REDACTED]** which is from the issuance of corporate bonds convertible to share certificates and intends to be remitted to the domestic account shall be remitted to its domestic foreign debts account and proceed with the relevant procedures in accordance with the relevant regulations of foreign debts administration; the **[REDACTED]** which is from other types of securities and intends to be remitted to the domestic account shall be remitted to its corresponding special account for overseas **[REDACTED]** (foreign currencies) or Pending Account (Renminbi);

- a domestic enterprise may, according to its needs, apply to the account-opening bank for domestic transfer or payment of funds from special account for overseas **[REDACTED]**, or transfer of settlement to the Pending Account.

Pursuant to the Circular on Further Simplifying and Improving Direct Investment Foreign Exchange Administration Policies (Hui Fa [2015] No. 13) (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》(匯發[2015]13號)) (the "Document No. 13") issued by the SAFE on February 13, 2015 and became effective on June 1, 2015, the foreign exchange registration approval under the PRC direct investment and the foreign exchange registration approval under the oversea direct investment were abolished and replaced by direct approval by the bank on such foreign exchange registrations. Such registrations were indirectly supervised by the SAFE and its branches through the banks. According to the Document No. 13, overseas enterprises established or controlled by domestic investment bodies are not subject to foreign exchange filing procedures for the overseas investment on establishments or control of new overseas enterprises.

According to the Regulations of the People's Republic of China on the Administration of Foreign Exchange, current account foreign exchange income may, in accordance with the relevant provisions of the state, be retained or sold to any financial institution engaged in foreign exchange settlement and sales business, and where any foreign exchange income on capital account shall be retained or sold to a financial institution engaged in foreign exchange settlement and sales business, approval shall be obtained from the relevant foreign exchange administrative authority, other than where no approval is required under state provisions. PRC enterprises (including foreign-invested enterprises) which require foreign exchange for transactions relating to current account items, may, without the approval of SAFE, effect payment from their foreign exchange account or convert and pay at the designated foreign exchange banks, with the provision of valid receipts and proof of transactions. Pursuant to the Circular of the People's Bank of China on Issuing the Provisions on the Settlement and Sale of and Payment in Foreign Exchange (中國人民銀行關於印發《結匯、售匯及付匯管理規定》的通知), foreign invested enterprises which need foreign exchange for the distribution of profits to shareholders, and PRC enterprises, which in accordance with regulations are required to pay dividends to shareholders in foreign exchange, may with the provision of general meeting resolutions of such PRC enterprises or board resolutions on the distribution of profits, and with the submission of other required supporting documents, effect payment from their foreign exchange account or convert and pay at the designated foreign exchange banks. Pursuant to the Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知), convertibility of foreign exchange in respect of capital account items, such as direct investment and capital contribution, is no longer subject to prior approval from SAFE or its relevant branches and shall be examined and handled by banks in accordance with such Notice and its Annex – Operating Guidelines for Foreign Exchange Business in Direct Investment (直接投資外匯業務操作指引).

TAXATION IN HONG KONG

Taxation on Dividends

Under the current practice of the Hong Kong Inland Revenue Department, no tax is payable in Hong Kong in respect of dividends paid by us.

Taxation on Capital Gains and Profits

No tax is imposed in Hong Kong in respect of capital gains from the sale of H Shares. However, trading gains from the sale of H Shares by persons carrying on a trade, profession or business in Hong Kong where such gains are derived from or arisen in Hong Kong from such trade, profession or business will be chargeable to Hong Kong profits tax. Currently, a profits tax is imposed on corporations at a maximum rate of 16.5% and on non-registered businesses at a maximum rate of 15.0%. Certain categories of taxpayers (such as financial institutions, insurance companies and securities dealers) are likely to be regarded as generating trading gains rather than capital gains unless these taxpayers can prove that the investment securities are held for long-term investment. Trading gains from sales of H Shares effected on the Hong Kong Stock Exchange will be considered to be derived from or arisen in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of H Shares effected on the Hong Kong Stock Exchange realized by persons carrying on a business of trading or dealing in securities in Hong Kong.

Stamp duty

Hong Kong stamp duty will be payable by the purchaser on every purchase, and by the seller on every sale, of Hong Kong securities (including H Shares). The duty is currently charged at the ad valorem rate of 0.1% of the consideration for, or (if greater) the market value of, the H Shares transferred on each of the seller and purchaser. In other words, a total of 0.2% of stamp duty is currently payable on a typical sale and purchase transaction of H Shares. In addition, a fixed duty of HK$5.00 is currently charged on each instrument of transfer of H Shares. Where a sale or purchase of H Shares is effected by a person who is not a resident of Hong Kong and any stamp duty payable on the instrument of transfer is not paid, the relevant instrument of transfer (if any) shall be assessed, and the transferee shall be liable to pay such duty. If no stamp duty is paid on or before the due date, a penalty of up to ten times the duty payable may be imposed.

Estate Duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on February 11, 2006 in Hong Kong, pursuant to which no Hong Kong estate duty is payable and no estate duty clearance papers are needed for an application of a grant of representation in respect of holders of H Shares whose deaths occur on or after February 11, 2006.

PRC LAWS AND REGULATIONS

The PRC Legal System

The PRC legal system is based on the PRC Constitution (《中華人民共和國憲法》) (the "Constitution") and is made up of written laws, administrative regulations, local regulations, autonomy regulations, separate regulations, departmental rules of the State Council, rules and regulations of local governments and international treaties of which the PRC government is a signatory. Although court rulings may be used for the purposes of judicial reference and guidance, they do not constitute binding precedents.

According to the Constitution and the Legislation Law of the PRC (《中華人民共和國立法法》) (the "Legislation Law"), the National People's Congress (the "NPC") and the Standing Committee of the NPC (the "Standing Committee") are empowered to exercise the legislative power of China. The NPC is responsible for formulating and amending the basic laws governing civil and criminal matters, state organs and other matters. The Standing Committee is empowered to formulate and amend laws other than those required to be enacted by the NPC and may supplement and amend parts of laws enacted by the NPC during the adjournment of the NPC, provided that such supplements and amendments are not in conflict with the basic principles of such laws. The State Council is the highest administrative authority of the PRC and has the power to formulate administrative regulations based on the Constitution and laws. The people's congresses of provinces, autonomous regions and municipalities and their respective standing committees may formulate local regulations based on the specific circumstances and actual requirements of their own respective administrative areas, provided that such local regulations do not violate any provision of the Constitution, laws or administrative regulations. People's congresses of national autonomous areas have the power to enact autonomous regulations and separate regulations in light of the political, economic and cultural characteristics of the ethnic groups in the areas concerned, provided that such autonomous and separate regulations do not violate the basic principles of the laws or administrative regulations. No adaptations shall be made to specific provisions on national autonomous areas contained in the Constitution, autonomy law of national areas and other relevant laws and administrative regulations.

The ministries and commissions of the State Council, the PBOC, the National Audit Office and other state organs, ministries and commissions with administrative functions directly under the State Council may formulate departmental rules within the jurisdiction of their respective departments based on the laws and the administrative regulations, decisions and rulings of the State Council. The people's governments of the provinces, autonomous regions and municipalities directly under the Central Government as well as cities divided into districts and autonomous prefectures may enact rules in accordance with laws, administrative regulations and the local regulations of their respective provinces, autonomous regions or municipalities.

The Constitution has supreme legal authority and no laws, administrative regulations, local regulations, autonomous regulations and separate regulations and rules may contravene the Constitution. The authority of laws is greater than that of administrative regulations, local regulations and rules. The authority of administrative regulations is greater than that of local regulations and rules. The authority of local regulations is greater than that of the rules of the local governments at or below the corresponding level. The authority of the rules enacted by the people's governments of the provinces or autonomous regions is greater than that of the rules enacted by the people's governments of the larger cities in such provinces and autonomous regions.

The NPC has the power to alter or annul any inappropriate laws enacted by the Standing Committee, and to annul any autonomous regulations or separate regulations approved by the Standing Committee which violate the Constitution or the Legislation Law. The Standing Committee has the power to annul any administrative regulations that violate the Constitution and laws, any local regulations that violate the Constitution, laws or administrative regulations, and any autonomous regulations or local regulations approved by the standing committees of the people's congresses of the relevant provinces, autonomous regions or municipalities directly under the Central Government which violate the Constitution and the Legislation Law. The State Council has the power to alter or annul any inappropriate rules and regulations of departments and rules of local governments. The people's congresses of provinces, autonomous regions or municipalities directly under the Central Government have the power to alter or annul any inappropriate local regulations enacted or approved by their respective standing committees. The people's governments of provinces and autonomous regions have the power to alter or annul any inappropriate rules enacted by the people's governments at a lower level.

According to the Constitution, the power to interpret laws is vested in the Standing Committee. According to the Resolutions of the Standing Committee of the NPC Regarding the Strengthening of Interpretation of Laws (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》), in cases where the scope of laws or decrees needs to be further defined or complemented, the Standing Committee shall provide interpretations or make stipulations by means of decrees. Interpretation of questions involving the application of laws and decrees in court trials shall be provided by the Supreme People's Court. Interpretation of questions involving the application of laws and decrees in the procuratorial work of the procuratorates shall be provided by the Supreme People's Procuratorate. If the interpretations provided by the Supreme People's Court and the Supreme People's Procuratorate are at variance with each other in principle, they shall be submitted to the Standing Committee for interpretation or decision. Interpretation of questions not involving the application of laws and decrees in judicial and procuratorial work shall be provided by the State Council and competent departments. In cases where the scope of local regulations needs to be further defined or complemented, the standing committees of the people's congresses of provinces, autonomous regions and municipalities which have enacted these regulations shall provide the interpretations or make the stipulations. Interpretation of questions involving the application of local regulations shall be provided by the competent departments under the people's governments of provinces, autonomous regions and municipalities.

PRC JUDICIAL SYSTEM

According to the Constitution and the Law of Organization of the People's Courts of the PRC (《中華人民共和國人民法院組織法》) (the "Law of Organization of the People's Courts"), the People's Courts consist of the Supreme People's Court, the local people's courts, the military courts and other special people's courts.

The local people's courts comprise the basic people's courts, the intermediate people's courts and the higher people's courts. The basic people's courts are further divided into civil, criminal and economic divisions. The intermediate people's courts have divisions similar to those of the basic people's courts, and other divisions, such as the intellectual property division, where necessary.

The people's courts at lower levels are subject to supervision of the people's courts at higher levels. The people's procuratorates also have the power to exercise legal supervision over the litigation

proceedings of people's courts at the same level or below. The Supreme People's Court is the highest judicial organ of the PRC and it supervises the judicial work of the local people's courts and special people's courts at all levels.

The people's courts adopt a "second instance as final" appellate system. A party may appeal against a judgment or ruling by the people's court of first instance to the people's court at the next higher level prior to the judgment or the ruling of the first instance is legally effective. The judgment or the ruling of the second instance by the people's court at the next higher level is final and legally binding. First judgments or rulings by the Supreme People's Court are final as well. However, in the case that the Supreme People's Court or the people's court at a higher level finds definite error(s) in the legally effective judgment by the people's court at a lower level, or the presiding judge of the people's court finds definite error(s) in the legally effective judgment by the court over which he/she presides, the case may then be retried in accordance with the judicial supervisory procedures.

The Civil Procedure Law of the PRC (《中華人民共和國民事訴訟法》) (the "Civil Procedure Law") sets forth provisions for the jurisdiction of the people's courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or ruling. All parties to a civil action conducted within the PRC must comply with the Civil Procedure Law. A civil case is generally heard by a local court in the defendant's place of residence. The parties to a contract may, by express agreement, select a court of jurisdiction where civil actions may be brought, provided that the court of jurisdiction should be located in the plaintiff's or the defendant's place of residence, the place of execution or implementation of contract, or the place of the subject of the action and other place which has actual connection with the dispute, and provided that, in any case, the provisions of the Civil Procedure Law regarding jurisdiction by level and exclusive jurisdiction shall not be violated.

A foreign individual, enterprise or organization generally has the same litigation rights and obligations as a citizen, legal person or organization of the PRC. Should the judicial system of a foreign country limit the litigation rights of PRC citizens or enterprises, the PRC courts may apply the same limitations to the citizens and enterprises of that foreign country.

If any party to a civil action refuses to comply with a legally effective judgment or ruling by a people's court or an effective award by an arbitration tribunal in the PRC, the other party may apply to the people's court for the compulsory enforcement of the judgment, ruling or award. However, specific time limits are imposed on the right to apply for such compulsory enforcement. The time limit for the submission of an application for enforcement shall be two years. The termination or suspension of the time limit for the submission of an application for enforcement shall be governed by the provisions on the termination or suspension of the statute of limitation.

When a party applies to a people's court for enforcing an effective judgment or ruling by a people's court against a party who is not located within the territory of the PRC or whose property is not within the PRC, the party may apply to a foreign court with proper jurisdiction for recognition and enforcement of the judgment or ruling. A foreign judgment or ruling may also be recognized and enforced by the people's court according to the PRC enforcement procedures if the PRC has entered into, or acceded to, an international treaty with the relevant foreign country on the mutual recognition and enforcement of judgments and rulings, or if the judgment or ruling satisfies the court's examination based on the principle of reciprocity, unless the people's court finds that the recognition or enforcement of such judgment or ruling will result in the violation of the basic legal principles of the PRC, its sovereignty or security, or for reasons related to the public interest.

The PRC Company Law, Special Regulations and Mandatory Provisions

On December 29, 1993, the Company Law of the PRC was adopted by the Standing Committee of the Eighth NPC, which came into effect on July 1, 1994 and was amended for the first time on December 25, 1999, the second time on August 28, 2004, the third time on October 27, 2005, the fourth time on December 28, 2013 and the fifth time on October 26, 2018. The newly amended Company Law of the PRC (the "Company Law") was implemented on October 26, 2018.

The Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (《國務院關於股份有限公司境外募集股份及上市的特別規定》) (the "Special Regulations") were adopted at the 22nd Standing Committee Meeting of the State Council on July 4, 1994 and were promulgated and implemented on August 4, 1994. The Special Regulations were formulated according to the then applicable Article 85 and Article 155 of the Company Law and should be applicable to the overseas share issue and **[REDACTED]** of joint stock limited companies.

The Mandatory Provisions in Articles of Association of Joint Stock Limited Companies to be Listed Overseas (the "Mandatory Provisions") were promulgated and implemented by the former Securities Commission of the State Council and the former State Economic System Restructuring Commission on August 27, 1994, prescribing provisions which must be incorporated into the articles of association of joint stock limited companies to be **[REDACTED]** overseas. Therefore, the Mandatory Provisions have been incorporated into the Articles of Association (which are summarized in Appendix V). Set out below is a summary of the provisions of the PRC Company Law, the Special Regulations and the Mandatory Provisions applicable to the Company.

1. General provisions

A "joint stock limited company" ("a company") is a corporate legal person incorporated under the Company Law, whose registered capital is divided into shares of equal par value. The liability of its shareholders is limited to the extent of the shares they hold, and the liability of the company is limited to the full amount of all the assets it owns.

A company must conduct its business in accordance with laws as well as public and commercial ethics. A company may invest in other limited liability companies. The liabilities of the company to such invested companies are limited to the amount invested. Unless otherwise provided by laws, a company cannot be the capital contributor who has the joint and several liabilities associated with the debts of the invested enterprises.

2. Incorporation

A company may be incorporated by promotion or public subscription. A company may be incorporated by two to 200 promoters, but at least half of the promoters must reside in the PRC. A company incorporated by promotion is the one with registered capital entirely subscribed for by the promoters. Where a company is incorporated by public subscription, unless otherwise provided, the promoters are required to subscribe for not less than 35% of the total shares of the company, and the remaining shares can be **[REDACTED]** to the public or specific parties.

The Company Law provides that for companies incorporated by way of promotion, the registered capital shall be the total capital subscribed for by all promoters as registered with the relevant administrative bureau for industry and commerce. Shares in the company shall not be **[REDACTED]** to others unless the registered capital has been fully paid up.

For companies incorporated by way of public subscription, the registered capital is the amount of total paid-up capital as registered with the relevant administrative bureau for industry and commerce. The promoters shall subscribe in writing for the shares required to be subscribed for by them and pay up their capital contributions under the articles of association. Procedures relating to the transfer of titles to non-monetary assets shall be duly completed in accordance with laws if such assets are to be contributed as capital.

The latest revision of the Company Law no longer imposes restrictions on minimum amount or requirements for payment deadlines of paid-up registered capital. However, if there are laws, administrative regulations and other requirements imposed by the State Council provide for payment deadlines of paid-up registered capital or minimum amount of a limited liability company or a joint stock limited company, such laws, administrative regulations and requirements shall prevail.

The promoters shall convene an inaugural meeting within 30 days after the issued shares have been completely paid up, and shall give notice to all subscribers or make a public announcement of the date of the inaugural meeting 15 days prior to the meeting. The inaugural meeting may be convened only with the presence of promoters and subscribers holding shares representing more than 50% of the total issued shares of the company. Matters to be dealt with at the inaugural meeting include adopting the draft articles of association proposed by the promoters and electing the board of directors and the board of supervisors of the company. Any resolution of the meeting shall be approved by subscribers with more than half of the voting rights of those present at the meeting.

Within 30 days after the conclusion of the inaugural meeting, the board of directors shall apply to the registration authority for registration of the incorporation of the company. A company is formally established and has the qualification of a legal person once the registration has been approved by the relevant administrative bureau for industry and commerce and a business license has been issued.

The promoters of a company shall individually and jointly be liable for the payment of all expenses and liabilities incurred in the incorporation process if the company cannot be incorporated, the repayment of subscription monies to the subscribers together with interest at bank rates for a deposit of the same term if the company cannot be incorporated, and damages suffered by the company as a result of the default of the promoters in the course of incorporation of the company.

3. Share capital

The promoters of a company may make capital contributions in cash, or in kind that can be valued in currency and transferable according to laws such as intellectual property rights or land-use rights based on their appraised value.

There is no limit under the Company Law as to the percentage of shares held by an individual shareholder in a company. If capital contribution is made other than in cash by the promoters of the company, valuation and verification of the properties contributed must be carried out and converted into shares. A company may issue registered or bearer shares. However, shares issued to promoter(s) or legal person(s) shall be in the form of registered shares and shall be registered under the name(s) of such promoter(s) or legal person(s) and shall not be registered under a different name or the name of a representative. The Special Regulations and the Mandatory Provisions provide that shares issued to foreign investors and **[REDACTED]** overseas shall be issued in registered form and shall be denominated in RMB and subscribed for in foreign currency.

Pursuant to the Special Regulations and the Mandatory Provisions, shares issued to foreign investors and investors from Hong Kong, Macau and Taiwan and subscribed in foreign currency are defined as foreign shares. Foreign shares **[REDACTED]** overseas are defined as overseas **[REDACTED]** and foreign invested shares. Shares issued to investors within the PRC other than the aforementioned areas and subscribed in RMB are defined as domestic shares. Qualified Foreign Institutional Investors ("QFII") approved by the China Securities Regulatory Commission (the "CSRC") may invest in the PRC securities market.

A company may **[REDACTED]** its shares to the public overseas with approval by the securities administration department of the State Council. Detailed measures shall be specified by the State Council based on the Special Regulations. The share price may be equal to or in excess of par value, but shall not be less than par value. The transfer of shares by shareholders shall be conducted in legally established stock exchanges or via other methods as stipulated by the State Council. No change of registration shall be made to the registrar of shareholders within twenty (20) days prior to the shareholders' meeting being held or within five (5) days prior to the benchmark date set for the purpose of distributing dividends. However, if there are laws that provide for the change of registers of members for a **[REDACTED]** company, such provisions shall prevail.

4. Increase in share capital

Pursuant to the Company Law, an increase in the capital of a company by means of an issue of new shares must be approved by shareholders in general meeting. Except for above-mentioned conditions of obtaining approval at the general meeting required by the Company Law, the Securities Law requires the following conditions for a company to issue new shares to the public: the company is a complete and well-operated organization; the company is capable of making profits continuously and maintaining a healthy financial status; no false records or significant irregularities are found in its financial and accounting documents over the last three years; the company is able to fulfill any other requirements as prescribed by the securities regulatory authority of the State Council as approved by the State Council. The approval of the securities regulatory authority of the State Council must be obtained. After payment in full for the new shares issued, a company must modify its registration with the relevant administrative bureau for industry and commerce and issue a public notice accordingly.

5. Reduction of share capital

A company may reduce its registered capital in accordance with the following procedures stipulated by the Company Law:

- the company shall prepare a balance sheet and an inventory of assets;
- the reduction of registered capital must be approved by shareholders at the shareholders' general meeting;
- the company shall inform its creditors of the reduction in capital within ten days and publish an announcement of the reduction in newspapers within 30 days of the resolution approving the reduction in capital being passed;
- creditors of the company may require the company to clear its debts or provide guarantees covering the debts within the statutory time limit; and
- the company must apply to the relevant administrative bureau for industry and commerce for registration of the reduction in registered capital.

6. Repurchase of shares

A company shall not purchase its own shares other than for the following purposes:

(1) reducing its registered capital;

(2) merging with other company which holds its shares;

(3) using shares for employees stock ownership plan or equity incentives;

(4) acquiring its own shares at the request of its shareholders who vote in a shareholders' general meeting against a resolution regarding a merger or division;

(5) using shares for converting convertible corporate bonds issued by the listed company; and

(6) for the purpose of protecting the corporate value and the rights and interests of shareholders of a listed company when necessary.

A company purchasing its own shares under any of the circumstances set forth in items (1) and (2) shall be subject to a resolution of the shareholders' meeting; and a company purchasing its own shares under any of the circumstances set forth in items (3), (5) and (6) may, pursuant to its articles of association or the authorization of the shareholders' meeting, be subject to a resolution of a meeting of the board of directors at which more than two-thirds of directors are present.

After purchasing its own shares in accordance with these requirements, a company shall, under the circumstance set forth in item (1), cancel them within 10 days after the purchase; while under the circumstance set forth in either item (2) or (4), transfer or cancel them within six months; and while under the circumstance set forth in item (3), (5) or (6), aggregately hold not more than 10% of the total shares that have been issued by the company, and transfer or cancel them within three years.

A listed company purchasing its own shares shall perform the obligation of information disclosure and under any of the circumstances set forth in items (3), (5) and (6) shall carry out trading in a public and centralized manner.

The Mandatory Provisions stipulate that upon obtaining approvals from relevant supervisory authorities in accordance with the articles of association of the company, a company may, for the aforementioned purposes, repurchase its issued shares by way of a general offer to its shareholders or purchase on a stock exchange or through off-market contract.

7. Transfer of shares

Shares may be transferred in accordance with the relevant laws and regulations. A shareholder shall transfer his/her shares in stock changes established pursuant to laws or by other means as stipulated by the State Council. Registered shares may be transferred by endorsement of the shareholders or in any other manner specified in applicable laws and regulations. Bearer shares are transferred by delivering the shares to relevant transferees. Pursuant to the Mandatory Provisions, no modifications of registration in the share register caused by transfer of shares shall be made within thirty days prior to convening of shareholders' general meeting of the company or five days prior to any record date for determination of dividend distributions. Shares of a company held by its promoter(s) shall not be transferred within one year from the date of incorporation of such company. Shares in issue prior to the company's **[REDACTED]** of shares shall not be transferred within one year from the **[REDACTED]** of its shares on the stock exchange.

Directors, supervisors and senior management of a company shall not transfer over 25% of the total shares held by them in the company each year during their term of office, and shall not transfer the shares held by them in the company within one year from the **[REDACTED]** of the shares. Such persons shall also not transfer the shares held by them in the company within half a year after they leave office. The articles of association may set other restrictive requirements on the transfer of the company's shares held by its directors, supervisors and senior management.

8. Shareholders

The company's articles of association set forth the rights and duties of its shareholders, which are binding on all shareholders. Pursuant to the Company Law and the Mandatory Provisions, the rights of shareholders include:

- the right to attend shareholders' general meetings in person or by proxy and to vote in respect of the number of shares held;
- the right to transfer their shares in accordance with the applicable laws, regulations and the company's articles of association;
- the right to inspect the company's articles of association, share register, counterfoil of company debentures, minutes of shareholders' general meetings, resolutions of board meetings, resolutions of meetings of the board of supervisors and financial and accounting reports and to make proposals or enquires on the company's business operations;
- where a resolution passed by shareholders' general meetings or the board of directors violates the articles of association or infringe the lawful rights and interests of shareholders, the right to institute an action in a people's court demanding the cessation of such unlawful infringement;
- the right to receive dividends based on the number of shares held; and
- any other rights of shareholders specified in the company's articles of association.

The obligations of a shareholder include: to abide by the company's articles of association, to pay the subscription monies in respect of subscribed for; to be liable for the company's debts and liabilities to the extent of the amount of subscription monies agreed to be paid in respect of the shares subscribed for; not to abuse the shareholders' rights to prejudice the interests of the company or other shareholders thereof; not to abuse the independent status of the company as a legal person and a joint stock limited company to prejudice the interests of the creditor(s) of the company; and any other obligations specified in the company's articles of association.

9. Shareholders' General Meetings

The shareholders' general meeting is the organ of authority of the company, which exercises its powers in accordance with the Company Law. The shareholders' general meeting exercises the following powers:

- to decide on the company's operational policies and investment plans;
- to elect or remove the directors and supervisors who are not representatives of the employees;

- to decide on matters relevant to remuneration of directors and supervisors;
- to review and approve reports of the board of directors;
- to review and approve reports of the board of supervisors or supervisors;
- to review and approve annual financial budget and financial accounts proposed by the company;
- to review and approve the company's proposals on profit distribution and recovery of loss;
- to decide on any increase or reduction of the registered capital of the company;
- to decide on the company's issuance of bonds;
- to decide on merger, division, dissolution and liquidation of the company and other matters;
- to amend the company's articles of association; and
- other powers as specified in the articles of association.

Annual general meetings shall be held once a year. An extraordinary general meeting shall be held within two months after the occurrence of any of the following circumstances:

- the number of directors is less than the number stipulated by the Company Law or less than two thirds of the number specified in the articles of association;
- the losses of the company which are not recovered reach one-third of the company's total paid up share capital;
- as requested by shareholders alone or in aggregate holding 10% or more of the shares of the Company;
- when deemed necessary by the board of directors;
- when proposed by the board of supervisors; or
- other circumstances as specified in the articles of associations.

Shareholders' general meetings shall be convened by the board of directors and presided over by the chairman of the board of directors.

The notice to convene an annual general meeting and an extraordinary general meeting shall be given 20 days and 15 days, respectively, before the date of such meeting pursuant to the Company Law, and 45 days before the date of such meeting pursuant to the Special Regulations and the Mandatory Provisions, stating the matters to be reviewed and considered at the general meeting. In accordance with the Special Regulations and the Mandatory Provisions, shareholders intending to attend the general meeting shall send written confirmations of their attendance to the company 20 days before the date of the meeting.

There is no specific provisions in the Company Law regarding the number of shareholders constituting a quorum in a general meeting, although the Special Regulations and the Mandatory Provisions provide that a company's general meeting may be convened when written confirmations

from shareholders holding 50% of the shares of the company carrying voting rights have been received 20 days before the date of the meeting, or if that 50% level is not achieved, the company shall within 5 days of the last day for receipt of the written confirmations notify shareholders again by public announcement of the matters to be considered at the meeting and the date and venue of the meeting, and the general meeting may be held thereafter. A shareholder may entrust a proxy(ies) to attend a general meeting. The proxy(ies) shall present a power of attorney issued by the shareholder to the company and shall exercise his/her/their voting rights within the scope of authorization.

In accordance with the Company Law, shareholders alone or in aggregate holding more than 3% of the shares of the company may put forth interim proposals and submit the same in writing to the board of directors 10 days before a general meeting. The board of directors shall notify other shareholders within 2 days after receiving such proposals, and submit the interim proposals to the general meeting for review and approval if such proposals are within the scope of its duties and powers. According to the Special Regulations, at the annual general meeting of the company, shareholders with 5% or more of the voting rights in the company are entitled to propose to the company in writing new proposals to be reviewed at the general meeting, which if within the functions and powers of the general meeting, are required to be added to the agenda of the general meeting. Shareholders present at the general meeting possess one vote for each share they hold. However, the company shall have no vote for any of its own shares the company holds. Resolutions proposed at the general meeting shall be approved by more than half of the voting rights cast by shareholders present in person (including those represented by proxies) at the general meeting, except that such resolutions as merger, division, dissolution, increase or reduction of registered capital, the issue of bonds, the change in the form of the company or the amendment to the articles of association, shall be approved by shareholders with more than two-thirds of the voting rights cast by shareholders present (including those represented by proxies).

The Mandatory Provisions require class meetings to be held in the event of a variation or derogation of the class rights of a class. Holders of domestic shares and holders of overseas **[REDACTED]** and foreign invested shares are deemed to be different classes of shareholders for this purpose.

10. Directors

A company shall have a board of directors, which shall consist of 5 to 19 members. The term of office of the directors shall be provided for by the articles of association, but each term of office shall not exceed three years. The directors may hold consecutive terms upon re-election.

Meetings of the board of directors shall be convened at least twice a year. A notice of meeting shall be given to all directors and supervisors at least ten days before the meeting. As for extraordinary meetings convened by the board of directors, the way of giving notice and the notice period may be otherwise determined.

Under the Company Law, the board of directors exercises the following functions and powers:

- to convene the general meeting and report on its work to the shareholders;
- to implement the resolution of the general meeting;
- to decide on the company's business plans and investment plans;
- to formulate the company's proposed annual financial budget and final accounts;

- to formulate the company's proposals for profit distribution and for recovery of losses;
- to formulate proposals for the increase or reduction of the company's registered capital and the issue of corporate bonds;
- to formulate plans for the merger, division, dissolution or change in the form of the company;
- to decide on the company's internal management structure;
- to appoint or dismiss the company's general manager, and based on the general manager's nomination, to appoint or dismiss deputy general managers and financial officers of the company and to decide on their remuneration;
- to formulate the company's basic management system; and
- other functions and powers as specified in the articles of association.

In addition, the Mandatory Provisions provide that the board of directors is also responsible for formulating the proposals for amendment of the articles of association of a company. Interim board meetings may be convened by shareholders representing more than 10% of the voting rights, more than one-third of the directors or the supervisory board. The chairman shall convene the meeting within ten days of receiving such proposal, and preside over the meeting. Meetings of the board of directors could be held only if more than half of the directors are present. Resolutions of the board of directors require the approval of more than half of all directors. If a director is unable to attend a board meeting, he may appoint another director by a written power of attorney specifying the scope of the authorization for another director to attend the meeting on his behalf.

If a resolution of the board of directors violates the laws, administrative regulations or the company's articles of association as a result of which the company sustains serious losses, the directors participating in the resolution are liable to compensate the company. However, if it can be proven that a director expressly objected to the resolution when the resolution was voted on, and that such objections were recorded in the minutes of the meeting, such director may be relieved of that liability.

Under the Company Law, the following persons may not act as a director of a company:

- persons without capacity or restricted capacity to undertake civil liabilities;
- persons who have committed the offense of corruption, bribery, taking of property, misappropriation of property or destruction of the order of socialist market economy, and have been sentenced to criminal punishment, where less than five years have elapsed since the date of completion of the sentence; or persons who have been deprived of their political rights due to criminal offense, where less than five years have elapsed since the date of the completion of implementation of this deprivation;
- persons who are former directors, factory managers or general managers of a company or enterprise that has been bankrupt and has been liquidated, and those persons are personally liable for the bankruptcy of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;

- persons who were legal representatives of a company or enterprise which had its business license revoked due to violation of the law and who are personally liable, and less than three years have elapsed since the date of the revocation of the business license; or
- persons who have a relatively large amount of debt due and outstanding; or other circumstances under which a person is disqualified from acting as a director of a company as set out in the Mandatory Provisions (which have been incorporated in the Articles of Association, a summary of which is set out in Appendix V).

The board of directors shall appoint a chairman, who is elected with approval of more than half of all the directors. The chairman of the board of directors exercises the following functions and powers (including but not limited to): to preside over general meetings and convene and preside over meetings of the board of directors; and to check on the implementation of the resolutions of the board of directors.

According to the Company Law, the legal representative of a company may be the chairman, any executive director (if the limited liability company does not have a board of directors) or the general manager. However, the Mandatory Provisions require that the legal representative of the company shall be the chairman.

The Special Regulations provide that a company's directors, supervisors, general managers and other senior management shall bear fiduciary duties and the obligation to act diligently. They are required to faithfully perform their duties, protect the interests of the company and not to use their positions and power for their own benefit. The Mandatory Provisions (which have been incorporated into the Articles of Association, a summary of which is set out in Appendix VI) contain further elaborations of such duties.

11. Supervisors

A company shall have a board of supervisors composed of not less than three members. The term of office of a supervisor shall be three years, and the supervisors may hold consecutive terms upon re-election. The board of supervisors is made up of shareholders' representatives and an appropriate proportion of the company's staff representatives, which shall be no less than one-third. Directors and senior management shall not act as supervisors.

The board of supervisors exercises the following functions and powers:

- check the financial affairs of the company;
- supervise the directors and senior management in the performance of their duties, and to put forward proposals on the removal of any director or senior manager who violates laws, administrative regulations, the articles of association or any resolution of the shareholders' meeting;
- require the director or senior management to make corrections if his act is detrimental to the interests of the company;
- propose the convening of extraordinary general meetings, and to convene and preside over shareholders' meetings when the board of directors fails to exercise the function of convening and presiding over shareholders' meetings;
- put forward proposals at general meetings;

- initiate actions against directors or senior management; and
- other functions and duties as provided for by the articles of association.

The circumstances under which a person is disqualified from being a director of a company described above apply mutatis mutandis to supervisors of a company.

12. Managers and Senior Executives

A company shall have a manager who shall be appointed or removed by the board of directors. The manager is accountable to the board of directors and may exercise the following powers:

- manage the production, operation and management of the company and arrange for the implementation of resolutions of the board of directors;
- arrange for the implementation of the company's annual business and investment plans;
- formulate plans for the establishment of the company's internal management structure;
- formulate the basic administration system of the company;
- formulate the company's specific rules;
- recommend the appointment and dismissal of deputy managers and financial officers, and appoint or dismiss other management personnel (other than those required to be appointed or dismissed by the board of directors);
- attend board meetings as a non-voting attendant; and
- other powers conferred by the board of directors or the company's articles of association

Under the Company Law, the senior management of a company include the manager, deputy managers, financial officers, secretary of the board of directors of a **[REDACTED]** company and other executives as specified in the articles of association of the company. The circumstances under which a person is disqualified from being a director of a company described above apply mutatis mutandis to managers and officers of the company. The articles of association of a company shall have binding effect on the shareholders, directors, supervisors, managers and other senior management of the company. Such persons shall be entitled to exercise their rights, apply for arbitration and initiate legal proceedings according to the articles of association of the company. The provisions of the Mandatory Provisions regarding the senior management of a company have been incorporated in the Articles of Association (a summary of which is set out in Appendix V).

13. Duties of Directors, Supervisors, Managers and Senior Management

Directors, supervisors, managers and other senior management of a company are required under the Company Law to comply with the relevant laws, regulations and the company's articles of association, carry out their duties honestly and protect the interests of the company. Each director, supervisor, general manager and senior officer of a company is also under a duty of confidentiality to the company and is prohibited from divulging secret information of the company unless permitted by the relevant laws and regulations or by the shareholders.

Any director, supervisor, manager and other senior management who contravenes any laws, regulations or the company's articles of association in the performance of his duties which results in any loss to the company shall be personally liable to the company.

The Special Regulations and the Mandatory Provisions provide that a director, supervisor, general manager and other senior management of a company owe fiduciary duties to the company and are required to perform their duties faithfully, protect the interests of the company and not to make use of their positions and power in the company for their own benefit.

14. Finance and Accounting

A company shall establish its financial and accounting systems according to the laws, administrative regulations and the regulations of the MOF of the State Council. At the end of each financial year, a company shall prepare a financial report, which shall be audited and verified according to laws.

A company shall make available its financial statements for the inspection by the shareholders at least 20 days before the convening of the annual general meeting. A company established by the public subscription method must publish its financial statements.

When distributing each year's after-tax profits, the company shall set aside 10% of its after-tax profits for the company's statutory common reserve (except where such reserve has reached 50% of the company's registered capital). After a company has made an allocation to its statutory common reserve from its after-tax profit, subject to a resolution of the shareholders or the general meeting, the company may make an allocation to a discretionary common reserve from the after-tax profits. If the company's statutory surplus reserve is not enough to make up for the losses of the company of the previous year, the current year's profits shall first be used for making good the losses before the statutory surplus reserve is set aside according to the provisions of the preceding paragraph.

After the losses have been made up and surplus reserves have been set aside, the remaining profits after-tax shall be distributed to shareholders in proportion to the number of shares held by shareholders as in the case of a joint stock limited company, except as otherwise provided in the articles of association. The capital common reserve of a joint stock limited company is made up of the premium over the nominal value of the shares of the company on issue, and other amounts required by the MOF of the State Council to be allocated to the capital common reserve. The company's common reserves shall be used for making up losses, expanding the production and business scale or increasing the registered capital of the company, but the capital reserve fund shall not be used for making up the company's losses. Where the statutory surplus reserve is converted into registered capital, the balance of the statutory reserve shall not be less than 25% of the registered capital after such conversion.

15. Appointment and Dismissal of Auditors

According to the Special Regulations, a company shall engage an independent PRC qualified accounting firm to audit the company's annual report and review other financial reports. Pursuant to the Company Law, the appointment or dismissal of accounting firms responsible for the auditing of the company shall be determined by shareholders' meeting, shareholders' general meeting or board of directors in accordance with the articles of association. The accounting firm is to be appointed for a term commencing from the conclusion of an annual general meeting and ending at the conclusion of the next annual general meeting. The accounting firm should be allowed to make representations when

the shareholders' general meeting conducts a vote on the dismissal of the accounting firm. The company should provide true and complete accounting evidences, books, financial and accounting reports and other accounting data to the accounting firm it employs without any refusal, withholding and misrepresentation.

16. Distribution of Profits

The Special Regulations provide that the dividends and other distributions to be paid to holders of overseas **[REDACTED]** and foreign invested shares shall be declared and calculated in Renminbi and paid in foreign currency. Under the Mandatory Provisions, the payment of foreign currency to shareholders shall be made through a receiving agent.

17. Amendments to Articles of Association

Any amendments to the company's articles of association must be made in accordance with the procedures set forth in the company's articles of association. In relation to matters involving the company's registration, its changes in registration shall be applied with the company registry.

18. Dissolution and Liquidation

A company may apply for the declaration of insolvency by reason of its inability to pay debts as they fall due. After the people's court has made a declaration of the company's insolvency, the shareholders, the relevant authorities and the relevant professionals shall form a liquidation committee to conduct the liquidation of the company.

Under the PRC Company Law, a company shall be dissolved in any of the following events:

(1) the term of its operations set down in its articles of association has expired or events of dissolution specified in its articles of association have occurred;

(2) the shareholders in shareholders' general meeting have resolved to dissolve the company;

(3) the company is dissolved by reason of its merger or demerger;

(4) the company is subject to the revocation of business license, a closure order or elimination in accordance with laws; or

(5) in the event that the company encounters substantial difficulties in its operation and management, and its continuance shall cause a significant loss in the interest of shareholders, and where this cannot be resolved through other means, shareholders who hold more than 10% of the total shareholders' voting rights of the company may present a petition to the people's court for the dissolution of the company.

Where the company is dissolved in the circumstances described in (1), (2), (4) and (5) above, a liquidation committee must be formed within 15 days after the date of dissolution. Members of the liquidation committee shall be appointed by the shareholders' general meeting. If a liquidation committee is not established within the stipulated period, the company's creditors can apply to the people's court for its establishment. The liquidation committee shall notify the company's creditors within ten days after its establishment, and issue a public notice in the newspapers within 60 days. A creditor shall lodge his claim with the liquidation committee within 30 days after receiving notification, or within 45 days of the public notice if he has not received any notification.

The liquidation committee shall exercise the following powers during the liquidation period:

- to take stock of the company's assets and to prepare a balance sheet and a property list;
- to notify creditors or issue public notices;
- to deal with any outstanding business of the company related to the liquidation;
- to pay any tax overdue;
- to settle the company's financial claims and liabilities;
- to handle the surplus assets of the company after its debts have been paid off; and
- to represent the company in civil lawsuits.

If the company's assets are sufficient to meet its liabilities, they shall be applied towards the payment of the liquidation expenses, wages owed to the employees and labor insurance expenses, tax overdue and debts of the company. Any surplus assets shall be distributed to the shareholders of the company in proportion to the number of shares held by them. During the liquidation period, a company shall not engage in operating activities unrelated to the liquidation. If the liquidation committee becomes aware that the company does not have sufficient assets to meet its liabilities, it shall immediately apply to the people's court for a declaration for bankruptcy. Following such declaration, the liquidation committee shall hand over all affairs of the liquidation to the people's court.

Upon completion of the liquidation, the liquidation committee shall submit a liquidation report to the shareholders' general meeting or relevant regulatory authorities for confirmation. Thereafter, the report shall be submitted to the company registration authority in order to cancel the company's registration, and a public notice of its termination shall be issued. Members of the liquidation committee are required to discharge their duties honestly and perform their obligation according to laws. A member of liquidation committee is liable to indemnify the company and its creditors in respect of any loss arising from his willful or material default.

19. [REDACTED]

The shares of a company could be **[REDACTED]** on overseas stock exchange after obtaining approval from the CSRC. In accordance with the Circular on Relevant Issues Concerning Enterprises' Application for Overseas Listing (《中國證券監督管理委員會關於企業申請境外上市有關問題的通知》) (the "1999 Circular") issued by the CSRC on July 14, 1999, domestic companies were required to achieve the following requirements for **[REDACTED]**: an annual after-tax profit of at least RMB60,000,000 for the latest year, net assets of not less than RMB400,000,000, and a fundraising size of not less than US$50 million based on a reasonably expected price-to-earning ratio.

The 1999 Circular was replaced by the Regulatory Guidelines for the Application Documents and Examination Procedures for Overseas Share Issuance and Listing by Joint Stock Companies (《關於股份有限公司境外發行股票和上市申報文件及審核程序的監管指引》) (the "New Guidelines") which was issued on December 20, 2012, and came into force on January 1, 2013. The New Guidelines have abolished the foregoing thresholds and stipulate that all joint stock companies legally incorporated under the Company Law are entitled to apply to the CSRC for overseas share issuance and **[REDACTED]**.

Under the New Guidelines, a PRC domestic company may submit its primary **[REDACTED]** to overseas regulatory authorities and stock exchanges after the CSRC has accepted its **[REDACTED]**, and may submit its official **[REDACTED]** to overseas regulatory authorities and stock exchanges after obtaining the administrative permit and approval documents from the CSRC. The approval from the CSRC for overseas share issuance and **[REDACTED]** is valid for 12 months.

On December 26, 2014, SAFE promulgated the Circular on Certain Issues Concerning the Foreign Exchange Administration for Overseas Listings (《國家外匯管理局關於境外上市外匯管理有關問題的通知》), pursuant to which a domestic company shall go through formalities of registration with the relevant exchange authority for the **[REDACTED]** within 15 business days after the completion of the **[REDACTED]**.

20. Loss of H Share Certificates

In the event H share certificates in registered form are either stolen or lost, shareholder may, in accordance with the relevant provisions set out in the PRC Civil Procedure Law, apply to a people's court for a declaration that such certificates are no longer valid. Upon such declaration, the shareholder may apply to the company for the issue of replacement certificates. The Mandatory Provisions provide for a separate procedure regarding the loss of H share certificates (which has been incorporated in the Articles of Association, a summary of which is set out in Appendix V).

21. Suspension and Termination

Pursuant to the new Securities Law amended on August 31, 2014, the trading of shares of a company on a stock exchange may be suspended if so decided by the securities administration department of the State Council under one of the following circumstances:

(1) the total share capital or shareholding distribution of the Company has changed that it no longer complies with the **[REDACTED]** requirements;

(2) the company fails to make public its financial position in accordance with the requirements or there is false information in the company's financial report with the possibility of misleading investors;

(3) the company has committed a major breach of the law;

(4) the company has incurred losses for the latest three consecutive years; or

(5) other circumstances as required by the **[REDACTED]** of the relevant stock exchange(s).

Under the Securities Law, in the event that the conditions are not satisfied within the period stipulated by the relevant stock exchange in the case described in (1) above, or the company has refused to rectify the situation in the case described in (2) above, or the company fails to become profitable in the next subsequent year in the case described in (4) above, the relevant stock exchange shall have the right to terminate the **[REDACTED]** of the shares of the company.

22. Merger and Demerger

Companies may merge through merger by absorption or through the establishment of a newly merged entity. If it merges by absorption, the company which is absorbed shall be dissolved. If it

merges by forming a new corporation, both companies will be dissolved. Where there is a demerger of a company, its assets shall be divided up accordingly and a balance sheet and an property list shall be prepared. The company shall notify its creditors within ten days of the date of the company's division resolution and shall publish an announcement in a newspaper within thirty days of the date of the company's demerger resolution. Debts of the company prior to demerger shall be assumed by the companies which exist after the division on a joint and several basis, except to the extent that prior to demerger, the company has otherwise reached a written agreement with its creditors in respect of the settlement of debts.

Securities Law and Other Relevant Regulations

The PRC has promulgated a number of regulations that relate to the issue and trading of shares and disclosure of information by a company. In October 1992, the State Council established the Securities Committee and the CSRC. The Securities Committee is responsible for co-coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities-related institutions in the PRC and administering the CSRC.

The CSRC is the regulatory body of the Securities Committee and is responsible for the drafting of regulatory provisions of securities markets, supervising securities companies, regulating public offers of securities by PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities-related statistics and undertaking research and analysis. In 1998, the State Council consolidated the Securities Committee and the CSRC, and the CSRC has taken over the original functions of the Securities Committee since then.

On December 25, 1995, the State Council promulgated the Regulations of the State Council Concerning Domestic Listed Foreign Shares of Joint Stock Limited Companies (《國務院關於股份有限公司境內上市外資股的規定》). These regulations deal mainly with the issue, subscription, trading and declaration of dividends and other distributions of domestically **[REDACTED]** foreign shares and disclosure of information related to joint stock limited companies with domestically **[REDACTED]** foreign shares.

The Securities Law took effect on July 1, 1999 and was revised for the first time on August 28, 2004, for the second time on October 27, 2005, for the third time on June 29, 2013 and for the fourth time on August 31, 2014. This is the first national securities law in the PRC, and it is divided into 12 chapters and 240 articles regulating, among other things, the issue and trading of securities, takeovers by listed companies, stock exchanges, securities companies and the duties and responsibilities of the State Council's securities regulatory authorities. The Securities Law comprehensively regulates activities in the PRC securities market. Article 238 of the Securities Law provides that a company must obtain prior approval from the State Council's securities regulatory authorities for **[REDACTED]** of shares outside the PRC. Article 239 of the Securities Law provides that specific measures with respect to shares of companies in the PRC that are to be subscribed and traded in foreign currencies shall be separately formulated by the State Council. Currently, the issue and trading of foreign issued shares (including H Shares) are still mainly governed by the rules and regulations promulgated by the State Council and the CSRC.

Arbitration and Enforcement of Arbitral Awards

The Arbitration Law of the People's Republic of China (《中華人民共和國仲裁法》) (the "Arbitration Law") passed by the Standing Committee on August 31, 1994, became effective on September 1, 1995 and was amended on August 27, 2009 and September 1, 2017. It is applicable to contract disputes and other property disputes between natural person, legal person and other organizations, and the parties have entered into a written agreement to refer the matter to arbitration committee constituted in accordance with the Arbitration Law. Under the Arbitration Law, an arbitration committee may, before the promulgation by the PRC Arbitration Association of arbitration regulations, formulate interim arbitration rules in accordance with the Arbitration Law and the PRC Civil Procedure Law. Where the parties have by agreement provided arbitration as the method for dispute resolution, the people's court will refuse to handle the case.

The Listing Rules and the Mandatory Provisions require an arbitration clause to be included in the articles of association of the company and, in the case of the Listing Rules, shall also be in contracts between the company and each of its directors and supervisors, to the effect that any disputes or claims arising among the following parties will be referred to arbitration including between holders of H shares and the company, between holders of H Shares and the directors, supervisors, manager or other senior management of the company, and between holders of H shares and holders of domestic shares, with respect to any disputes or claims in relation to the companies affairs or as a result of rights or obligations arising under its articles of association, the PRC Company Law or other relevant laws and administrative regulations. Where a dispute or claim of rights referred to in the preceding paragraph is referred to arbitration, the entire claim or dispute must be referred to arbitration, and all persons who have a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim, must comply with the arbitration. Disputes in respect of the definition of shareholder and disputes in relation to our register of shareholders need not be resolved by arbitration.

A claimant may elect for arbitration to be carried out at either the China International Economic and Trade Arbitration Commission ("CIETAC") in accordance with its rules or the Hong Kong International Arbitration Center ("HKIAC") in accordance with the Securities Arbitration Rules. Once a claimant refers to a dispute or claim to arbitration, the other party shall submit to the arbitral body elected by the claimant. If the claimant elects for arbitration to be carried out at the HKIAC, any party to the dispute or claim may apply for a hearing to take place in Shenzhen in accordance with the Securities Arbitration Rules of the HKIAC.

Under the Arbitration Law and PRC Civil Procedure Law, an arbitral award is final and binding on the parties.

HONG KONG LAWS AND REGULATIONS

Summary of Material Differences between Hong Kong and PRC Company Laws

Hong Kong company law is primarily set out in the Companies Ordinance and the Companies (Winding Up and Miscellaneous Provisions) Ordinance and is supplemented by common law and rules of equity applicable in Hong Kong. As a joint stock limited company established in the PRC that is seeking a **[REDACTED]** of shares on the Hong Kong Stock Exchange, we are governed by the Company Law and all other rules and regulations promulgated pursuant to the Company Law.

Set out below is a summary of certain material differences between Hong Kong company law applicable to a company incorporated in Hong Kong and the Company Law applicable to a joint stock limited company incorporated and existing under the Company Law. This summary is, however, not intended to be an exhaustive comparison.

1. Corporate Existence

Under Hong Kong company law, a company with share capital is incorporated by the Registrar of Companies in Hong Kong which issues a certificate of incorporation to the company upon its incorporation and the company will acquire an independent corporate existence. A company may be incorporated as a public company or a private company. Pursuant to Hong Kong Companies Ordinance, the articles of association of a private company incorporated in Hong Kong shall contain certain pre-emptive provisions. A public company's articles of association do not contain such pre-emptive provisions.

Under the Company Law, a joint stock limited company may be incorporated by promotion or subscription. The latest amended Company Law removed the general provisions on statutory minimum registered capital, except that laws, administrative regulations and the State Council decisions have separate provisions on paid-up registered capital and the minimum registered capital, in which case the company should follow such provisions.

2. Share Capital

Under Hong Kong law, the directors of a Hong Kong company may, with the prior approval of the shareholders (if required), issue new shares of the company.

Under the Company Law, a shareholder may make capital contributions in cash, or in kind, or intellectual property right, land use right or other non-monetary properties that may be assessed on the basis of currency and may be transferred in accordance with the laws, excluding any properties that are prohibited to used as capital contributions under any laws or administrative regulations. The value of the non-monetary properties which are used as capital contributions shall be assessed and verified, which shall not be over-valued or under-valued. If any law or administrative regulation contains provisions for the value assessment, such provisions shall prevail. Under Hong Kong law, Hong Kong companies in Hong Kong are not subject to such restrictions.

3. Restrictions on Shareholding and Transfer of Shares

Under PRC law, our Domestic Shares, which are denominated and subscribed for in Renminbi, may only be subscribed for or traded by the State, PRC legal persons, natural persons and other investment institutions as permitted by laws and regulations. Since April 2013, investors from Hong Kong, Macau and Taiwan may also open an A share account. **[REDACTED]** shares, which are denominated in Renminbi and subscribed for in a currency other than Renminbi, may only be subscribed for, and traded by, investors from Hong Kong, Macau and Taiwan or any country and territory outside the PRC, or qualified domestic institutional investors. In addition, pursuant to the Several Provisions on the Transaction Interconnection Mechanism for the Mainland and Hong Kong Stock Markets (《內地與香港股票市場交易互聯互通機制若干規定》) jointly issued by the CSRC and SFC, qualified PRC investors could buy specified **[REDACTED]** shares through systems such as Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect.

Under the Company Law, Shares in the Company held by the promoters are not allowed to be transferred within one year after the date of establishment of the Company. Shares in issue prior to a company's public issue cannot be transferred within one year from the **[REDACTED]** and trading date of the shares on the stock exchange. The directors, supervisors and senior management of a company shall declare to the company the shares held by them and the changes thereof. Shares transferred each year during their term of office shall not exceed 25% of the total shares held by them, and the shares of the company held by such person cannot be transferred within one year from the **[REDACTED]** and trading date of the shares, and also cannot be transferred within half a year after such person's resignation from the company. The articles of association may set other restrictive requirements on the transfer of the company's shares held by its directors, supervisors and senior management. There are no such restrictions on shareholdings and transfers of shares under Hong Kong law apart from the six-month lockup on the company's issue of shares and the 12-month lockup on controlling shareholders' disposal of shares.

4. Financial Assistance for Acquisition of Shares

The Company Law does not prohibit or restrict a joint stock limited company or its subsidiaries from providing financial assistance for the purpose of an acquisition of the Shares of the Company or its holding company. However, the Mandatory Provisions contain certain restrictions on a company and its subsidiaries on providing such financial assistance for acquisition of such shares similar to those under the Hong Kong company law.

5. Variation of Class Rights

The Company Law has no special provision relating to variation of class rights. However, the Company Law states that the State Council can promulgate regulations relating to other class of shares. The Mandatory Provisions contain elaborate provisions relating to the circumstances under which class rights shall be varied or revoked and the internal procedures of a company required to be followed in respect thereof. These provisions have been incorporated in the Articles of Association. See "Appendix V – Summary of Articles of Association."

Under the Hong Kong Companies Ordinance, no rights attached to any class of shares can be varied except (i) with the approval of a special resolution of the holders of the relevant class at a separate meeting, (ii) with the written consent of the holders of three-fourths of the shares of the class in question, (iii) by agreement of all the members of the Company, or (iv) if there are provisions in the Articles of Association relating to the variation of those rights, then in accordance with those provisions.

6. Directors

The Company Law, unlike Hong Kong company law, does not contain any requirements relating to the declaration of directors' interests in material contracts, restrictions on directors' authority in making major dispositions, restrictions on companies providing certain benefits to directors such as guarantees in respect of directors' liability and prohibitions against compensation for loss of office without shareholders' approval. The Company Law restricts any interested director of a **[REDACTED]** joint stock limited company to vote in respect of any board resolutions involving any entities in which such director has an interest or a connected relationship. The Mandatory Provisions contain certain restrictions on disposals of major assets by the Board and specify the circumstances under which a

director may receive compensation for loss of office. These provisions have been incorporated in the Articles of Association, which are summarized in "Appendix V – Summary of Articles of Association" to this Document.

7. Board of Supervisors

Under the Company Law, a joint stock limited company's directors and managers are subject to the supervision of a board of supervisors. The Mandatory Provisions provide that each supervisor owes a duty, in the exercise of his/her powers or fulfillment of his/her obligations, to conduct with the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. There is no mandatory requirement for the establishment of a board of supervisors for a company incorporated in Hong Kong.

8. Derivative Action by Minority Shareholders

Hong Kong law permits minority shareholders to start a derivative action on behalf of all shareholders of the company against directors who have committed a breach of their fiduciary duties to the company if the directors control a majority of votes at a shareholders' general meeting, thereby effectively preventing the company from suing the directors for breach of their duties in its own name.

The Company Law provides shareholders of a joint stock limited company with the right so that in the event where the directors and senior management violate their fiduciary obligations to a company, the shareholders individually or jointly holding over 1% of the shares in the company for more than 180 consecutive days may request in writing the board of supervisors to initiate proceedings in the people's court. In the event that the board of supervisors violates its fiduciary obligations to a company, the above said shareholders may send a written request to the board of directors to initiate proceedings in the people's court. Upon receipt of such written request from the shareholders, if the board of supervisors or the board of directors refuses to initiate such proceedings, or has not initiated proceedings within 30 days upon receipt of the request, or if under urgent situations, failure of initiating immediate proceeding may cause irremediable damages to the company, the above said shareholders shall, for the benefit of the company's interests, have the right to initiate proceedings directly to the court in their own name.

The Mandatory Provisions provide further remedies against the directors, supervisors and senior management who breach their duties to the company.

9. Protection of Minorities

Under Hong Kong law, a shareholder who complains that the affairs of a company incorporated in Hong Kong are conducted in a manner unfairly prejudicial to his/her interests may petition to the court to either wind up the company or seek an appropriate order regulating the affairs of the company. In addition, on the application of a specified number of shareholders, the Financial Secretary of Hong Kong government may appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated in Hong Kong.

The Mandatory Provisions provide that apart from the obligations as required by laws, administrative regulations or **[REDACTED]** rules of a stock exchange where the shares of a company are **[REDACTED]**, a controlling shareholder, in the exercise of his rights as a shareholder, shall not exercise his voting rights in a manner prejudicial to the interests of the shareholders generally or of a proportion of the shareholders of a company.

10. Notice of Shareholders' Meetings

Under the Company Law, if a shareholders' general meeting is to be convened, all shareholders shall be notified of the time and venue of the meeting and the matters to be considered at the meeting 20 days before the meeting is held. In the case of an extraordinary shareholders' general meeting, the shareholders shall be notified 15 days before the meeting is held. In the event that bearer shares are to be issued, the time and venue of the meeting and the matters to be considered at the meeting shall be announced 30 days before the meeting is held. Under the Special Regulations and the Mandatory Provisions, a company shall give a written notice of a shareholders' general meeting 45 days before the date of the meeting (inclusive) to inform all shareholders whose names are shown in the share register of the matters to be considered at the meeting as well as the date and venue of the meeting. Shareholders intending to attend the meeting shall lodge their written reply of attendance to the company 20 days before the meeting is held. For a limited company incorporated in Hong Kong, the minimum period of notice of a shareholders' general meeting convened for the purpose of considering ordinary resolutions, is 14 days and, where convened for the purpose of considering special resolutions, is 21 days. The notice period for an annual general meeting is 21 days.

11. Quorum for Shareholders' Meetings

The Company Law does not specify any quorum requirement for a shareholders' general meeting, but the Special Regulations and the Mandatory Provisions provide that a company shall calculate the number of shares with voting rights represented by shareholders intending to attend the meeting based on the written replies received 20 days before the meeting is held. The company shall convene a shareholders' general meeting where the number of shares with voting rights represented by shareholders intending to attend the meeting reaches half or more of the total number of shares with voting rights. Otherwise, the company shall further notify the shareholders, by way of a public announcement, of the matters to be considered at the meeting, the date and venue of the meeting within five days. Upon the publication of such public announcement, the company may convene a shareholders' general meeting. Under Hong Kong law, the quorum for a shareholders' general meeting is two shareholders unless the articles of association of the company otherwise provide, but must be at least two shareholders.

12. Voting

Under the Company Law, the passing of any resolution requires affirmative votes of shareholders representing more than half of the voting rights represented by the shareholders who attend the general meeting except in cases of proposed amendments to a company's articles of association, increase or decrease of registered capital, merger, division or dissolution, or change of corporation form, which require affirmative votes of shareholders representing more than two-thirds of the voting rights represented by the shareholders who attend the general meeting. Under Hong Kong law, an ordinary resolution is passed by a simple majority of affirmative votes cast by members present in person or by proxy at a shareholders' general meeting and a special resolution is passed by a majority of not less than three-fourths of votes cast by shareholders present in person or by proxy at a shareholders' general meeting.

13. Financial Information Disclosure

Under the Company Law, a joint stock limited company is required to make its financial reports available at the company for inspection by shareholders 20 days before its shareholders' annual general

meeting. In addition, a joint stock limited company with shares in issue must publish its financial reports. The Companies Ordinance requires a company incorporated in Hong Kong to send to every shareholder a copy of its balance sheet, auditors' report, and directors' report, which are to be presented to the company at its annual general meeting, not less than 21 days before such meeting.

A joint stock limited liability company is required under the PRC law to prepare its financial statements in accordance with the PRC GAAP. The Mandatory Provisions require that a company must, in addition to preparing financial statements according to the PRC GAAP and regulations, have its financial statements prepared in accordance with international accounting standards or that of the **[REDACTED]** place. Its financial statements must also contain a statement of the material differences (if any) between the financial statements prepared in accordance with the two accounting standards. Distribution of its after-tax profits of the relevant accounting year shall be based on one of the two aforesaid financial statements, whichever has the lower after-tax profit.

The Special Regulations require that there should not be any contradiction between the information disclosed within and outside the PRC and that, to the extent that there are differences in the information disclosed within and outside the PRC, or in different foreign countries and regions which is prepared in accordance with PRC and overseas laws, regulations and requirements of the stock exchanges, such differences should also be disclosed simultaneously at the relevant stock exchanges.

14. Information on Directors and Shareholders

The Company Law gives shareholders the right to inspect the company's articles of association, minutes of the shareholders' general meetings and financial and accounting reports. Under the articles of association, shareholders have the right to inspect and copy (at reasonable charges) certain information on shareholders and on directors similar to that available to the shareholders of Hong Kong companies under Hong Kong law.

15. Receiving Agent

Under the Company Law and Hong Kong law, dividends once declared are debts payable to shareholders. The limitation period for debt recovery action under Hong Kong law is six years, while under the PRC law is two years. The Mandatory Provisions require the relevant company to appoint a trust company registered under the Hong Kong Trustee Ordinance (Chapter 29 of the Laws of Hong Kong) as a receiving agent to receive on behalf of relevant shareholders of **[REDACTED]** foreign shares dividends distributed and other monies payable by the Company.

16. Corporate Reorganization

Corporate reorganization involving a company incorporated in Hong Kong may be effected in a number of ways, such as a transfer of the whole or part of the business or property of the company to another company in the course of voluntary winding up pursuant to Section 237 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance or a compromise or arrangement between the company and its creditors or between the company and its shareholders pursuant to Division 2 of Part 13 of the Companies Ordinance, which are subject to the sanction of the court.

Under PRC law, merger, division, dissolution or change the form of a joint stock limited liability company shall be passed by shareholders representing more than two-thirds of the voting rights in general meeting.

17. Dispute Arbitration

In Hong Kong, disputes between shareholders and a company or its directors may be resolved through the courts. The Mandatory Provisions provide that a claimant may refer the arbitration to either the CIETAC in accordance with its arbitration rules, or the HKIAC in accordance with its securities arbitration rules. Once the claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body elected by the claimant. If the claimant refers the arbitration to the HKIAC, either party may request the arbitration to be conducted in Shenzhen in accordance with the securities arbitration rules of the HKIAC.

18. Mandatory Deductions

Under the Company Law, a company is required to set aside 10% of its profits into a statutory reserve fund when distributing after-tax profits of the current year. Such allocation may cease when the cumulative statutory reserve fund of the Company amounts to more than 50% of its registered capital. If the statutory reserve fund is insufficient to make up for the losses of the preceding year, the profits of the current year shall first be used to make up for the said losses before any statutory reserve fund is withdrawn as stated in the preceding paragraph. After allocation of the statutory reserve fund from after-tax profits, it may, upon a resolution passed at the shareholders' meeting and shareholders' general meeting, allocate discretionary reserve fund from after-tax profits. There are no such requirements under Hong Kong law.

19. Remedies of the Company

Under the Company Law, if a director, supervisor or senior management in carrying out duties of a company infringes the requirements of laws, administrative regulations or the articles of association of the company, which results in damage to the company, he/she shall be liable for damages. Such provisions are similar to those available under the Hong Kong law.

20. Dividends

The company has the power in certain circumstances to withhold, and pay to the relevant tax authorities, any tax payable under PRC law on any dividends or other distributions payable to a shareholder. Under Hong Kong law, the limitation period for an action to recover a debt (including the recovery of dividends) is six years, whereas under the PRC law, the relevant limitation period is two years. The company must not exercise its powers to forfeit any unclaimed dividend in respect of shares until after the expiry of the applicable limitation period.

21. Fiduciary Duties

In Hong Kong, there is the common law concept of the fiduciary duty of directors. Under the Company Law and the Special Regulations, directors, supervisors and senior management shall undertake a fiduciary and diligent obligation to the company and are not permitted to engage in any activities which compete with or damage the interests of the company.

22. Closure of Register of Shareholders

The Companies Ordinance requires that the register of shareholders of a company must not generally be closed for the registration of transfers of shares for more than 30 days (extendable to 60

days in certain circumstances) in a year. According to the Mandatory Provisions, share transfers shall not be registered within 30 days before the date of a shareholders' meeting or within five days before the base date set for the purpose of distribution of dividends.

Hong Kong Listing Rules

Hong Kong Listing Rules provide additional requirements which apply to an issuer which is incorporated in the PRC as a joint stock limited company and seeking a primary **[REDACTED]** or whose primary **[REDACTED]** is on the Hong Kong Stock Exchange. Set out below is a summary of such principal additional requirements which apply to the Company.

1. Compliance Advisor

A company seeking **[REDACTED]** on the Hong Kong Stock Exchange is required to appoint a compliance advisor acceptable to the Hong Kong Stock Exchange for the period from its **[REDACTED]** up to the date of the publication of its first full financial year's financial performance, to provide the company with professional advices on continuous compliance with the Hong Kong Listing Rules and all other applicable laws, regulations, rules, codes and guidelines, and to act at all times, in addition to the company's two authorized representatives, as the principal channel of communication with the Hong Kong Stock Exchange. The appointment of the compliance advisor may not be terminated until a replacement acceptable to the Hong Kong Stock Exchange has been appointed.

If the Hong Kong Stock Exchange is not satisfied that the compliance advisor is fulfilling its responsibilities adequately, it may require the company to terminate the compliance advisor's appointment and appoint a replacement. The compliance advisor must keep the company informed on a timely basis of changes in the Hong Kong Listing Rules and any new or amended laws, regulations or codes in Hong Kong applicable to the company. It must act as the company's principal channel of communication with the Hong Kong Stock Exchange if the authorized representatives of the company are expected to be frequently outside Hong Kong.

2. Accountant's Report

An Accountant's report for a PRC issuer will not normally be regarded as acceptable by the Hong Kong Stock Exchange unless the relevant accounts have been audited to a standard comparable to that required in Hong Kong or under international audit standards or PRC audit standards. Such report will normally be required to conform to Hong Kong or international accounting standards or China Accounting Standards for Business Enterprises. (For a PRC issuer that adopts China Accounting Standards for Business Enterprises for preparing annual financial statement).

3. Process Agent

The Company is required to appoint and maintain a person authorized to accept service of process and notices on its behalf in Hong Kong throughout the period during which its securities are **[REDACTED]** on the Hong Kong Stock Exchange and must notify the Hong Kong Stock Exchange of his/her appointment, the termination of his/her appointment and his/her contact particulars.

4. Public Shareholdings

If at any time there are existing issued securities of a PRC issuer other than foreign shares ("**foreign shares**") which are **[REDACTED]** on the Hong Kong Stock Exchange, the Hong Kong Listing Rules

require that the aggregate amount of such foreign shares and other issued securities held by the public must constitute not less than 25% of the issued share capital and that such foreign shares for which **[REDACTED]** is sought must not be less than 15% of the total issued share capital if the company has an expected market capitalization at the time of **[REDACTED]** of not less than HK$50,000,000. The Hong Kong Stock Exchange may, at its discretion, accept a lower percentage of between 15% and 25% if the Company has an expected market capitalization at the time of **[REDACTED]** of over HK$10,000,000,000.

5. Independent Non-Executive Directors and Supervisors

The independent non-executive directors of a PRC issuer are required to demonstrate an acceptable standard of competence and adequate commercial or professional expertise to ensure that the interests of the general body of shareholders will be adequately represented. The supervisors of a PRC issuer must have the character, expertise and integrity and be able to demonstrate a standard of competence commensurate with their positions as supervisors.

6. Mandatory Provisions

With a view to strengthening the protection on investors, the Hong Kong Stock Exchange requires the incorporation, in the articles of association of a PRC company whose primary **[REDACTED]** is on the Hong Kong Stock Exchange, of the Mandatory Provisions and provisions relating to the change, removal and resignation of auditors, class meetings and the conduct of the Board of Supervisors of the company. Such provisions have been incorporated into the Articles of Association, a summary of which is set out in Appendix V to this Document.

7. Redeemable Shares

The Company shall not issue any redeemable shares, unless the Hong Kong Stock Exchange is satisfied that relative rights of the holders of foreign shares are adequately protected.

8. Pre-emptive rights

Except in the circumstances mentioned below, the Directors of the Company are required to obtain the approval by a special resolution of shareholders at a shareholders' meeting, and the approvals by special resolutions of the holders of domestic shares and foreign shares (each being otherwise entitled to vote at shareholders' meetings) at separate class meetings conducted in accordance with the Company's Articles of Association, prior to (1) authorizing, allotting, issuing or granting shares or securities convertible into shares, or options, warrants or similar rights to subscribe for any shares or such convertible securities; or (2) authorizing, allotting, issuing or granting of any of such shares or securities by any major subsidiary of the Company, resulting in a substantial dilution of the shareholding of the Company and its shareholders in such subsidiary.

No such approval will be required, but only to the extent that, the existing shareholders of the company have by special resolution in shareholders' meeting given a mandate to the directors, either unconditionally or subject to such terms and conditions as may be specified in the resolution, to authorize, allot or issue, either separately or concurrently once every 12 months, not more than 20% of the existing domestic shares and foreign shares as of the date of the passing of the relevant special resolution or of such shares that are part of the company's plan at the time of its establishment to issue domestic shares and foreign shares and which plan is implemented within 15 months from the date of approval by the CSRC or other securities regulatory authorities under the State Council.

9. Supervisors

The Company is required to adopt rules governing dealings by its Supervisors in securities of the Company in terms no less exacting than those of the model code (set out in Appendix 10 to the Hong Kong Listing Rules) issued by the Hong Kong Stock Exchange.

The Company is required to obtain the approval of its shareholders at a shareholders' meeting (at which the relevant Supervisor and his associates shall not vote on the matter) prior to the Company or any of its subsidiaries entering into a service contract of the following nature with a Supervisor or proposed Supervisor of the Company or its subsidiary: (1) the term of the contract may exceed three years; or (2) the contract expressly requires the Company to give more than one year's notice or to pay compensation or make other payments equivalent to the remuneration of more than one year.

The Remuneration and Nomination Committee of the Company or an independent board committee must form a view in respect of service contracts that require shareholders' approval and advise shareholders (other than shareholders with a material interest in the service contracts and their associates) as to whether the terms are fair and reasonable, advise whether such contracts are in the interests of the Company and its Shareholders as a whole and advise Shareholders on how to vote.

10. Amendment to the Articles of Association

The Company shall not permit or cause any amendment to be made to its Articles of Association, which would cause the same to cease to comply with the provisions of the Hong Kong Listing Rules and the Mandatory Provisions or the Company Law.

11. Documents for Inspection

The Company is required to make available at a place in Hong Kong for inspection by the public and its Shareholders free of charge, and for copying by Shareholders at reasonable charges the following documents:

- a complete duplicate register of shareholders;
- a report showing the state of the issued share capital of the Company;
- the Company's latest audited financial statements and the reports of the Directors, auditors and Supervisors (if any) thereon;
- special resolutions of the Company;
- reports showing the number of securities repurchased by the Company since the end of the last fiscal year, the aggregate amount paid for such securities and the maximum and minimum prices paid in respect of each class of securities repurchased (with a breakdown between domestic shares and H Shares);
- a copy of the latest annual return filed with State Administration for Industry and Commerce or other authorities of China; and
- for Shareholders only, copies of minutes of meetings of shareholders.

12. Receiving Agent(s)

The Company is required to appoint one or more receiving agents in Hong Kong and pay to such agent(s) dividends declared and other monies owing in respect of the H Shares to be held, pending payment, in trust for the holders of such H Shares.

13. Statements in Share Certificates

The Company is required to ensure that all of its **[REDACTED]** documents and H share certificates include the statements stipulated below and to instruct and cause each of its share registrars not to register the subscription, purchase or transfer of any of its shares in the name of any particular holder unless and until such holder delivers to such share registrar a signed form in respect of such shares bearing statements to the following effect that the acquirer of shares:

- agrees with the Company and each Shareholder of the Company, and the Company agrees with each Shareholder of the Company, to observe and comply with the Company Law, the Special Regulations, and the Articles of Association;
- agrees with the Company, each Shareholder, Director, Supervisor, manager and officer of the Company, and the Company acting for itself and for each Director, Supervisor, manager and officer of the Company agrees with each shareholder, to refer all differences and claims arising from the Articles of Association or any rights or obligations conferred or imposed by the Company Law or other relevant laws and administrative regulations concerning the affairs of the Company to arbitration in accordance with the Articles of Association, and any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct hearings in open session and to publish its award. Such arbitration shall be final and conclusive;
- agrees with the Company and each Shareholder of the Company that the Shares are freely transferable by the holder thereof; and
- authorizes the Company to enter into a contract on his/her behalf with each Director and officer of the Company whereby each such Director and officer undertakes to observe and comply with his/her obligation to Shareholders as stipulated in the Articles of Association.

14. Compliance with the Provisions of the Company Law, the Special Regulations and the Company's Articles of Association

The Company is required to observe and comply with the Company Law, the Special Regulations and the Articles of Association.

15. Contract between the Company and its Directors, Officers and Supervisors

The Company is required to enter into a contract in writing with every Director and officer containing at least the following provisions:

- an undertaking by the Director or officer to the Company to observe and comply with the Company Law, the Special Regulations, the Articles of Association, the Takeovers Code and the Share Repurchases Code and an agreement that the Company shall have the remedies provided in the Articles of Association and that neither the contract nor his/her office is capable of assignment;

- an undertaking by the Director or officer to the Company acting as agent for each shareholder to observe and comply with his/her obligations to shareholders as stipulated in the Articles of Association;
- an arbitration clause which provides that whenever any differences or claims arise from that contract, the Articles of Association or any rights or obligations conferred or imposed by the Company Law or other relevant law and administrative regulations concerning the affairs of the Company between the Company and its Directors or officers and between a holder of H Shares and a Director or officer of the Company, such differences or claims will be referred to arbitration at either the CIETAC in accordance with its rules or the HKIAC in accordance with its Securities Arbitration Rules, at the election of the claimant and that once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body elected by the claimant. Such arbitration will be final and conclusive;
- if the party seeking arbitration elects to arbitrate the dispute or claim at HKIAC, then either party may apply to have such arbitration conducted in Shenzhen according to the Securities Arbitration Rules of HKIAC;
- PRC laws shall govern the arbitration of disputes or claims referred to above, unless otherwise provided by law or administrative regulations;
- the award of the arbitral body is final and shall be binding on the parties thereto; and
- the disputes concerning the shareholder qualification and share registration can be resolved without resorting to arbitration.

The Company is also required to enter into a contract in writing with every supervisor containing statements in substantially the same terms.

16. English Translation

All notices or other documents required under the Hong Kong Listing Rules to be sent by PRC issuer to the Hong Kong Stock Exchange or to holders of H Shares are required to be in the English language, or accompanied by a certified English translation.

17. General

If any change in the PRC law or market practices materially alters the validity or accuracy of any of the basis upon which the additional requirements have been prepared, then the Hong Kong Stock Exchange may impose additional requirements or make **[REDACTED]** of the H Shares of a PRC issuer subject to special conditions as the Hong Kong Stock Exchange considers appropriate. Whether or not any such changes in the PRC law or market practices occur, the Hong Kong Stock Exchange retains its general power under the Hong Kong Listing Rules to imposed additional requirements and make special conditions in respect of the **[REDACTED]**.

Other Legal and Regulatory Provisions

Upon the Company's **[REDACTED]**, the provisions of the Securities and Futures Ordinance, the Codes on Takeovers and Mergers and Share Repurchases and such other relevant ordinances and regulations as may be applicable to companies **[REDACTED]** on the Stock Exchange will apply to the Company.

Securities Arbitration Rules

The Articles of Association provide that certain claims arising from the Articles of Association, the Company Law and other applicable rules and regulations shall be arbitrated at either the CIETAC or the HKIAC in accordance with their respective rules. The Securities Arbitration Rules of the HKIAC contain provisions allowing an arbitral tribunal to conduct a hearing in Shenzhen for cases involving the affairs of companies incorporated in the PRC and **[REDACTED]** on the Stock Exchange so that PRC parties and witnesses may attend. Where any party applies for a hearing to take place in Shenzhen, the tribunal shall where satisfied that such application is based on bona fide grounds, order the hearing to take place in Shenzhen conditional upon all parties, including witnesses and the arbitrators, being permitted to enter Shenzhen for the purpose of the hearing. Where a party (other than a PRC party) or any of its witnesses or any arbitrator is not permitted to enter Shenzhen, then the tribunal shall order that the hearing be conducted in any practicable manner, including the use of electronic media. For the purpose of the Securities Arbitration Rules, a PRC party means a party domiciled in the PRC other than the territories of Hong Kong, Macau and Taiwan.

Any person wishing to have detailed advice on PRC law or the laws of any jurisdiction is recommended to seek independent legal advice.

This Appendix contains a summary of the Articles of Association. The principal objective is to provide potential investors with an overview of the Articles of Association. As the information contained below is a summary form, it does not contain all the information that may be important to potential investors. As stated in "Appendix VII – Documents Delivered to the Registrar of Companies and Available for Inspection," a copy of the Articles of Association is available for inspection.

The Articles of Association and relevant amendments thereto were adopted by our Shareholders at shareholder's general meetings in accordance with applicable laws and regulations, including the PRC Company Law, the PRC Securities Law, the Circular on Opinion concerning Supplementary Amendments to Articles of Association of Companies Listed in Hong Kong (《關於到香港上市公司對公司章程作補充修改的意見的函》), the Special Regulations, the Mandatory Provisions and the Hong Kong Listing Rules. The Articles of Association will become effective on the date that the H Shares are **[REDACTED]** on the Hong Kong Stock Exchange.

I. Directors and Other Officers

Power to Allot and Issue Shares

There is no provision in the Articles of Association empowering the Directors to allot and issue Shares.

To increase the capital of the Company, the Board is responsible for formulating proposals for approval at a shareholders' general meeting by way of special resolution. Any such increase must be conducted in accordance with the procedures stipulated by the relevant laws and administrative regulations.

Power to Dispose of the Assets of the Company or any Subsidiary

The Board is accountable to the shareholders' general meeting.

The Board shall not, without the prior approval or consent of shareholders' general meeting, dispose or agree to dispose of, any fixed assets of the Company where the anticipated value of the assets to be disposed, together with the value of any fixed assets of the Company that has been disposed in the period of four (4) months immediately preceding the proposed disposition, exceeds 33% of the value of the Company's fixed assets as shown in the last balance sheet placed before the shareholders' general meeting.

The validity of a disposition by the Company of fixed assets shall not be affected by the breach of the above paragraph.

For the purposes of the Articles of Association, a disposition of fixed assets includes an act involving the transfer of an interest in assets other than the provision of fixed assets as security.

The Board shall not, without the prior approval or consent of shareholders' general meeting by way of special resolution, purchase and sell or agree to purchase and sell, any substantial assets of the Company where the anticipated value of the assets to be purchased and sold exceeds 30% of the value of the Company's latest audited total assets.

The validity of purchasing and selling substantial assets by the Company shall not be affected by the breach of the above paragraph.

For the purposes of the Articles of Association, the transaction of purchase and sale of substantial assets include:

i. to transfer, accept or swap equity or non-equity assets;

ii. to establish a new enterprise with others, or increase or reduce the registered capital of an existing enterprise;

iii. to manage operating assets of other enterprises by trust or lease, or to entrust or lease the operating assets of the Company to other enterprises;

iv. to accept donation which will create obligations of the Company, or donate assets to others;

v. other transactions which are identified by the stock exchange according to the principles of prudent supervision.

Emoluments and Compensation or Payments for Loss of Office

The Company shall, with the prior approval of shareholders' general meeting, enter into a contract in writing with each of the Directors or Supervisors wherein his or her emoluments are stipulated. The aforesaid emoluments include:

i. emoluments in respect of his or her service as a Director, Supervisor or member of senior management of the Company;

ii. emoluments in respect of his or her service as a Director, Supervisor or member of senior management of any subsidiary of the Company;

iii. emoluments in respect of provision of other services in relation to the management of the Company and any subsidiary of the Company; and

iv. payment by way of compensation for loss of office, or as consideration for or in connection with his retirement from office.

Unless otherwise provided by the contract in the preceding paragraph, a Director or Supervisor shall not file legal proceedings against the Company in respect of the benefits due to him/her from the aforesaid matters.

The contracts concerning the emoluments between the Company and its Directors or Supervisors should provide that, in the event of an acquisition of the Company, the Directors and Supervisors shall, subject to the prior approval of the shareholders' general meeting, have the right to receive compensation or other payment in respect of his/her loss of office or retirement. An "acquisition of the Company" referred to in this paragraph means either:

i. a takeover offer made by any person to all Shareholders; or

ii. a takeover offer made by any person to enable the offeror to become a "controlling shareholder" with the meaning set out in the Articles of Association.

If the relevant Director or Supervisor does not comply with the above, any sum so received by him/her shall belong to those persons who have sold their Shares as a result of the offer made. The expenses incurred in distributing such sum pro rata amongst those persons shall be borne by the relevant Director or Supervisor and not paid out of that sum.

Loans to Directors, Supervisors and Other Officers

The Company shall not directly or indirectly make a loan to, or provide any security in connection with the making of a loan to a Director, Supervisor, our General Manager or other members of senior management of the Company or those of its Shareholders or any of their respective Related Persons.

However, the following transactions are not subject to such prohibition:

i. the provision by the Company of a loan or a security of a loan to a company which is a subsidiary of the Company;

ii. the provision by the Company of a loan or a security in connection with the making of a loan or any other funds to any of its Directors, Supervisors, our General Manager and other members of senior management for them to pay for expenditure incurred or to be incurred by him/her for the purposes of the Company or for the purpose of enabling him/her to perform his/her duties properly, in accordance with the terms of an employment contract approved by the shareholders' general meeting; and

iii. the Company may make a loan to or provide a security in connection with the making of a loan to any of the relevant Directors, Supervisors, our General Manager and other members of senior management or their respective Related Persons if the ordinary course of business of the Company includes the lending of money or the provision of a security of a loan, provided that such loans or security for loans are based on normal commercial terms.

A loan made by the Company in breach of the above provisions shall be forthwith repayable by the recipient of the loan, regardless of the terms of the loan.

A security provided by the Company in breach of the above provisions shall be unenforceable against the Company, unless:

i. at the time when the loan was provided to a Related Person of any of the Directors, Supervisors, our General Manager and other members of senior management of the Company or those of its Shareholders, the lender was not aware of the relevant circumstances; or

ii. the collateral provided by the Company has been lawfully sold by the lender to a bona fide purchaser.

For these purposes:

(a) the term "security" shall include an guarantor's undertaking to assume liability or provision of property to secure the performance of obligations by the obligor; and

(b) the definition of Related Person as referred to in the sub-section headed "Duties" below applies, mutatis mutandis, to this sub-section.

Financial Assistance for the Acquisition of Shares in the Company or any of its Subsidiaries

Subject to the exceptions in the Articles of Association, the Company and its subsidiaries shall not, by any means at any time, provide any kind of financial assistance to a person who is acquiring or is proposing to acquire Shares of the Company. The said acquirer of Shares of the Company includes a person who directly or indirectly incurs any obligations due to the acquisition of the Shares.

The Company and its subsidiaries shall not, by any means at any time, provide financial assistance to the said acquirer as referred to above for the purpose of reducing or discharging the obligations assumed by that person.

However, the following acts shall not be deemed to be prohibited:

i. the provision of financial assistance by the Company where the financial assistance is given in good faith in the interest of the Company, and the main purpose of the financial assistance is not the acquisition of Shares of the Company, or the financial assistance is an incidental part of an overall plan of the Company;

ii. the lawful distribution of the Company's assets by way of dividend in accordance with law;

iii. the allotment of Shares as dividends;

iv. a reduction of registered capital, a repurchase of Shares of the Company or a reorganization of the shareholding structure of the Company effected in accordance with the Articles of Association;

v. the lending of money by the Company in the ordinary course of its business, where the lending of money is part of the scope of business of the Company (provided that the net assets of the Company are not thereby reduced or that, to the extent that the net assets are thereby reduced, the financial assistance is provided out of distributable profits); and

vi. the provision of money by the Company for contributions to employee share scheme (provided that the net assets of the Company are not thereby reduced or that, to the extent that the net assets are thereby reduced, the financial assistance is provided out of distributable profits).

For these purposes:

(a) "financial assistance" includes (without limitation) the following meanings:

(1) gift;

(2) security (including the assumption of liability by the guarantor or the provision of assets by the guarantor to secure the performance of obligations by the obligor), or compensation (other than compensation incurred by the Company's own default) or release or waiver of any rights;

(3) provision of a loan or execution of any contract under which the obligations of the Company are to be fulfilled before the obligations of another party, or a change in the parties to, or the assignment of rights under, such loan or contract; or

(4) any other form of financial assistance given by the Company when the Company is unable to pay its debts or has no net assets or when its net assets would thereby be reduced to a material extent.

(b) "incurring an obligation" includes the incurring of obligations by the changing of the obligor's financial position by way of contract or the making of an arrangement (whether enforceable or not, and whether made on its own account or with any other persons), or by any other means.

Disclosure of Interests in Contracts with the Company or any of its Subsidiaries

Where a Director, Supervisor, our General Manager or other member of senior management of the Company (or any of its close associates) is, directly or indirectly, materially interested in a contract, transaction or arrangement or proposed contract, transaction or arrangement with the Company, (other than his/her contract of service with the Company), he shall declare the nature and extent of his/her interests to the Board at the earliest opportunity, regardless whether or not the contract, transaction or arrangement or proposal is otherwise subject to the approval of the Board under normal circumstances.

Unless the interested Director, Supervisor, General Manager or other member of senior management discloses his/her interests in accordance with the Articles of Association and the contract and transaction or arrangement is approved by the Board at a meeting in which the interested Director, Supervisor, General Manager or other member of senior management is not counted in the quorum and refrains from voting, a contract, transaction or arrangement in which that Director, Supervisor, our General Manager or other member of senior management is materially interested is voidable at the option of the Company except as against a bona fide party thereto acting without notice of the breach of duty by the interested Director, Supervisor, our General Manager or other member of senior management.

For these purposes, a Director, Supervisor, our General Manager or other member of senior management of the Company is deemed to be interested in a contract, transaction or arrangement in which a Related Person is interested.

Where a Director, Supervisor, our General Manager or other member of senior management of the Company gives to the Board a general notice in writing stating that, by reason of the facts specified in the notice, he is interested in contracts, transactions or arrangements of any description, which may subsequently be made by our Company, such notice shall be deemed for the purposes of this subsection to be a sufficient declaration of his/her interests, so far as the content stated in such notice is concerned, provided that such general notice shall have been given before the question of entering into the relevant contract, transaction or arrangement is first taken into consideration by our Company.

Retirement, Appointment and Removal

The term of office of the chairman of the Board and the other Board members shall be three (3) years. If the term of appointment of a Director expires and he is re-elected, the Director may be reappointed for consecutive terms.

Directors shall be elected and removed by the shareholders' general meeting. A written notice of the intention to propose a person for election as Director and a notice in writing by that person indicating his/her acceptance of such election is required to be given to the Company no less than seven (7) days prior to commencement of such meeting. The length of period of such notices shall be at least seven (7) days.

The Board shall have one (1) chairman. The chairman shall be elected and removed by a majority of all of the Directors. A Director is not required to be a Shareholder of the Company.

A person may not serve as a Director, Supervisor, our General Manager and any other member of senior management of the Company if any of the following circumstances apply:

i. a person without or with restricted capacity of civil conduct;

ii. a person who has committed an offense of corruption, bribery, infringement of property, misappropriation of property or sabotaging the social economic order and has been punished because of committing such offense; or who has been deprived of his/her political rights for committing a crime, in each case where no more than five (5) years has elapsed since the date of the completion of implementation of such punishment or deprivation;

iii. a person who is a former director, factory manager or manager of a company or enterprise which has entered into insolvent liquidation because of mismanagement and he is personally liable for the insolvency of such company or enterprise, where no more than three (3) years has elapsed since the date of the completion of the insolvency and liquidation of such company or enterprise;

iv. a person who is a former legal representative of a company or enterprise which had its business license revoked due to a violation of the laws and who incurred personal liability, where no more than three (3) years has elapsed since the date of the revocation of the business license;

v. a person who has a relatively large amount of debts due and outstanding;

vi. a person who is under criminal investigation or prosecution by judicial organization for violation of the criminal law which investigation or prosecution is not yet concluded;

vii. a person who is not eligible for enterprise leadership according to laws and administrative regulations;

viii. a non-natural person;

ix. a person convicted of the contravention of provisions of relevant securities regulations by a relevant competent authority, and such conviction involves a finding that he has acted fraudulently or dishonestly, where less than five (5) years has elapsed since the date of the conviction; or

x. a person who is restricted according to laws, regulations, requirements of relevant securities regulatory authority, or the listing rules of the place where the Shares of the Company are **[REDACTED]**.

The validity of an act of a Director, our General Manager or other member of senior management on behalf of the Company with respect to, a bona fide third party shall not be affected by any irregularity in his/her appointment, election or any defect in his/her qualification.

There is no provision in the Articles of Association which imposes any age limit for Directors beyond which retirement as a Director is mandatory.

Borrowing Powers

Subject to compliance with applicable laws and administrative regulations of the PRC and Hong Kong Listing Rules, the Company has the power to raise and borrow money, which includes, without limitation, the issue of debentures and the charging or mortgaging of part or whole of the Company's properties. The Articles of Association (a) do not contain any specific provision in respect of the manner in which borrowing powers may be exercised by the Directors (other than provisions which give the Directors the power to formulate proposals for the issue of bonds by the Company); and (b) provisions which provide that the issue of bonds must be approved by the shareholders' general meeting by way of a special resolution.

Duties

In addition to obligations imposed by laws, administrative regulations or the listing rules of the stock exchanges on which Shares are **[REDACTED]**, each of the Company's Directors, Supervisors, our General Manager and other members of senior management shall perform the following obligations to each shareholder, in the exercise of the functions and powers that the Company entrusted to him/her:

i. not to cause the Company to exceed the scope of the business stipulated in its business license;

ii. to act honestly in the best interest of the Company;

iii. not to deprive the Company's property in any form, including (without limitation) usurpation of opportunities advantageous to the Company;

iv. not to expropriate the individual rights of Shareholders, including (without limitation) rights to distribution and voting rights, save pursuant to a restructuring of the Company approved by the shareholders' general meeting in accordance with the Articles of Association.

Each of the Company's Directors, Supervisors, our General Manager and other members of senior management owes a duty, in the exercise of his/her powers and discharge of his/her duties, to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Each of the Company's Directors, Supervisors, our General Manager and other members of senior management shall carry on his/her duties in accordance with the principle of fiduciary and shall not put himself/herself in a position where his/ her interest and his/her duty may conflict. This principle includes (without limitation) discharging the following obligations:

i. to act honestly in the best interests of the Company;

ii. to exercise powers within the scope of his/her powers and not to exceed those powers;

iii. to exercise the discretion vested in him/her personally and not to allow himself/herself to act under the control of another and, unless and to the extent permitted by laws, administrative regulations or with the informed consent of shareholders' general meeting, not to delegate the exercise of his/her discretion to others;

iv. to treat Shareholders of the same class equally and to treat Shareholders of different classes fairly;

v. except in accordance with the Articles of Association or with the informed consent of shareholders' general meeting, not to enter into any contract, transaction or arrangement with the Company;

vi. without the informed consent of shareholders' general meeting, not to use the Company's property for his/her own benefit in any form;

vii. not to exploit his/her position to accept bribes or other illegal income or expropriate the Company's property by any means, including (without limitation) opportunities advantageous to the Company;

viii. without the informed consent of shareholders' general meeting, not to accept commissions in connection with the Company's transactions;

ix. to abide by the Articles of Association, faithfully execute his/her official duties and protect the Company's interests, and not to exploit his/her position and power in the Company to advance his/her own private interests;

x. not to compete with the Company in any form without the informed consent of shareholders' general meeting;

xi. not to misappropriate the Company's funds or lend such funds to others, not to open accounts in his/her own name or other names for the deposit of the Company's assets and not to provide a security for debts of a shareholder of the Company or other individual(s) with the Company's assets;

xii. unless otherwise permitted by informed shareholders' general meeting, not to disclose any confidential information acquired by him/her in the course of and during his/her tenure of office and not to use the information other than in furtherance of the interests of the Company, save that disclosure of such information to the court or other governmental authorities is permitted if:

(1) disclosure is required by laws;

(2) the interests of the public require disclosure;

(3) the interests of the such Director, Supervisor, our General Manager or other member of senior management require disclosure.

Director, Supervisor, our General Manager or other member of senior management of the Company shall not cause the following persons or institutions (the "Related Persons") to do what he is prohibited from doing:

i. the spouse or minor children of that Director, Supervisor, our General Manager or other member of senior management;

ii. a trustee of that Director, Supervisor, our General Manager or other member of senior management or any person referred to in paragraph (i) above;

iii. a partner of that Director, Supervisor, our General Manager or other member of senior management or any person referred to in paragraphs (i) and (ii) above;

iv. a company in which that Director, Supervisor, our General Manager or other member of senior management, alone or jointly with one or more persons referred to in paragraphs (i), (ii) and (iii) above and other Directors, Supervisors, our General Manager and other members of senior management have a de facto controlling interest;

v. the directors, supervisors, general manager and other members of senior management of the controlled company referred to in the preceding paragraph.

The fiduciary obligations of the Directors, Supervisors, our General Manager and other members of senior management of the Company do not necessarily cease upon the termination of their tenure. The obligations of confidence in relation to trade secrets of the Company survives the termination of

their tenure. Other obligations may continue for such period on a fair basis depending on the time lapse between the termination and the act concerned and the circumstances and conditions under which the relationships between them and the Company are terminated.

In addition to any rights and remedies provided by the laws and administrative regulations, where a Director, Supervisor, General Manager or other member of senior management of the Company is in breach of his/her obligations to the Company, the Company has a right to:

i. claim damages from the Director, Supervisor, our General Manager or other member of senior management in compensation for losses sustained by the Company as a result of such breach;

ii. rescind any contract or transaction entered into by the Company with the Director, Supervisor, our General Manager or other member of senior management or with a third party (where such third party knows or should know that there is such a breach of duties by such Director, Supervisor, our General Manager or other member of senior management);

iii. require the relevant Director, Supervisor, General Manager or other member of senior management return the benefits received by him/her as a result of the breach of the obligations;

iv. recover any funds received by the Director, Supervisor, our General Manager or other member of senior management that should have been received by the Company, including (without limitation) commissions;

v. require the relevant Director, Supervisor, the General Manager or other senior officer to return the interest that is earned or may have been earned from the fund which should have been payable to the Company.

II. Alterations to Constitutional Documents

The Company may amend its Articles of Association in accordance with the requirements of laws, administrative regulations and the Articles of Association.

Amendments to the Articles of Association involving the contents of the Mandatory Provisions and Circular of CSRC shall become effective upon approvals by the companies approving department authorized by the State Council and the CSRC. If there is any change relating to the registered particulars of the Company, application shall be made for registration of the changes in accordance with laws.

III. Variation of Rights of Existing Shares or Classes of Shares

Apart from the holders of other classes of Shares, holders of Domestic Shares and holders of **[REDACTED]** foreign Shares of the Company shall be considered as different classes of Shareholders.

Rights conferred on any class of Shareholders in the capacity of Shareholders ("class rights") may not be varied or abrogated unless approved by a special resolution of shareholders' general meeting and by holders of Shares of that class at a separate shareholders' meeting conducted in accordance with Article 92 to 96 stipulated in the Articles of Association.

The following circumstances shall be deemed to be a variation or abrogation of the rights of Shareholders of a certain class:

i. to increase or reduce the number of Shares of that class or to increase or reduce the number of Shares of another class which carries the same or more voting rights, distribution right or other privileges;

ii. to effect an exchange of all or part of the Shares of such class into Shares of another class or to effect an exchange or create a right of exchange of all or part of the Shares of another class into the Shares of such class;

iii. to remove or reduce rights to accrued dividends or rights to cumulative dividends attached to Shares of such class;

iv. to reduce or remove a dividend preference or a liquidation preference attached to Shares of such class;

v. to add, remove or reduce conversion privileges, options, right to vote, transfer or pre-emptive rights, or rights to acquire securities of the Company attached to Shares of such class;

vi. to remove or reduce rights to receive payment payable by the Company in particular currencies attached to Shares of such class;

vii. to create a new class of Shares having voting or equity rights or privileges equal or superior to those of the Shares of such class;

viii. to restrict the transfer of ownership of the Shares of such class or add to such restriction;

ix. to issue rights to subscribe for, or convert into, Shares of such class or another class;

x. to increase the rights and privileges of Shares of another class;

xi. to restructure the Company where the proposed restructuring will result in different classes of Shareholders bearing a disproportionate burden of such proposed restructuring;

xii. to vary or abrogate provisions in chapter 9 of the Articles of Association.

Shareholders of the affected class, whether or not otherwise having the right to vote at shareholders' general meetings, shall nevertheless have the right to vote at class meetings in respect of matters concerning paragraphs (ii) to (viii), (xi) and (xii) above, but interested shareholder(s) shall not be entitled to vote at class meetings.

The meaning of "interested shareholder(s)" in the preceding paragraph is as follows:

i. in the case of a repurchase of Shares by offers to all Shareholders pro rata according to Article 30 under this Articles of Association or public dealing on a stock exchange, a "controlling shareholder" within the meaning of Article 56 stipulated in the Articles of Association;

ii. in the case of a repurchase of Shares by an off-market contract according to Article 30 provided in this Articles of Association, a holder of the Shares to which the proposed contract relates;

iii. in the case of a restructuring of the Company, a shareholder within a class who bears less than a proportionate burden imposed on that class under the proposed restructuring or who has an interest in the proposed restructuring different from the interest of Shareholders of that class.

Resolutions of a class of Shareholders shall be passed by votes representing more than two- thirds (2/3) of the voting rights represented at the relevant meeting who are entitled to vote at class meetings in accordance with Article 92 of the Articles of Association.

If the number of Shares carrying voting rights at the meeting represented by the Shareholders who intend to attend the class meeting reaches more than half (1/2) of the voting Shares at the class meeting, the Company may hold the class meeting; if not, the Company shall within five (5) days notify the Shareholders of the class by public announcement, of the matters to be considered, the date and the place for the class meeting. The Company may then hold the class meeting after publication of such notice.

Notice of class meetings need only be served on Shareholders entitled to vote thereat.

Meetings of any class of Shareholders shall be conducted in a manner as similar as possible to that of shareholders' general meetings. The provisions of the Articles of Association relating to the manner of conducting any shareholders' general meeting shall apply to any meeting of a class of Shareholders.

The special procedures for voting at a class of Shareholders shall not apply in the following circumstances:

i. where the Company issues Domestic Shares and **[REDACTED]** foreign-invested Shares, upon the approval by a special resolution of its shareholders' general meeting, either separately or concurrently once every twelve (12) months, not exceeding 20% of each of its existing issued;

ii. where the Company's plan to issue Domestic Shares and **[REDACTED]** foreign Shares at the time of its establishment is carried out within fifteen (15) months from the date of approval of the relevant State Council securities regulatory authority;

iii. where upon the approval from the relevant State Council securities regulatory authority, the promoters may transfer the Company's Shares held thereby to overseas investors and such transferred Shares may be **[REDACTED]** or traded on an overseas stock exchange.

IV. Resolutions Majority Required

Resolutions of shareholders' general meetings shall be divided into ordinary resolutions and special resolutions.

To adopt an ordinary resolution, votes representing more than half (1/2) of the voting rights represented by the Shareholders (including proxies) present at the shareholders' general meeting must be exercised in favor of the resolution in order for it to be passed.

To adopt a special resolution, votes representing more than two-thirds (2/3) of the voting rights represented by the Shareholders (including proxies) present at the shareholders' general meeting must be exercised in favor of the resolution in order for it to be passed.

The Shareholders (including their proxies) attending the meeting shall clearly show approval or objection to every matter to be voted on. As for the unpolled vote or abstention, the Company will not treat it as the vote with voting right when calculating the voting result of this matter.

V. Voting Rights (generally, on a poll and right to demand a poll)

A shareholder (including proxy) when voting at a shareholders' general meeting may exercise voting rights in accordance with the number of Shares carrying the right to vote and each share shall have one vote. However, Shares of the Company held by the Company shall not enjoy voting rights and shall not be calculated in the total number of Shares with voting rights held by the present shareholders.

Other than any resolution regarding the procedures and administrative matters of the general meeting of Shareholders which may be decided by a show of hands as decided by the chairman, a resolution shall be decided by poll at any general meeting of Shareholders.

On a poll taken at the meeting, a shareholder (including proxy) entitles to two (2) or more votes need not cast all his/her votes in the same way.

A poll demanded on the election of the chairman or on an issue of adjournment of the meeting, shall be taken forthwith. A poll demanded on any other issue shall be taken at such time as the chairman directs, and any business, other than that upon which a poll has been demanded may be proceeded with, pending the taking of the poll. The result of the poll shall be deemed to be a resolution of the meeting at which the poll was demanded.

In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting shall have a casting vote.

VI. Requirements for Annual General Meeting

The Board shall convene shareholders' general meeting once a year and within six (6) months from the end of the preceding financial year.

VII. Accounts and Audit

The Company shall establish its financial and accounting system in accordance with the laws, administrative regulations and PRC accounting standards formulated by the competent finance authority of the State Council.

The Board shall place before the Shareholders at every annual general meeting such financial reports as required by any laws, administrative regulations or directives promulgated by the local governments and competent departments to be prepared by the Company. Such reports shall be verified.

The Company's financial reports shall be made available for Shareholders' inspection at the Company twenty (20) days before the date of annual general meeting.

The financial statements of the Company shall, in addition to being prepared in accordance with PRC accounting standards and regulations, be prepared in accordance with either International Accounting Standards or that of the overseas place where the Company's Shares are **[REDACTED]**. If there is

any material difference between the financial statements prepared respectively in accordance with the two accounting standards, such difference shall be stated in an appendix to the financial statements. When the Company is to distribute its after-tax profits of the relevant accounting year, it is required to distribute dividends based on the lower of the Company's after-tax profits determined under the two accounting standards.

Any interim results or financial information published or disclosed by the Company must be prepared in accordance with PRC accounting standards and regulations, and also in accordance with either International Accounting Standards or that of the overseas place where the Company's Shares are **[REDACTED]**.

The Company shall publish its financial reports twice every fiscal year, that is, the interim financial report shall be published within sixty (60) days after the expiration of the first six (6) months of each fiscal year and the annual financial report shall be published within one hundred and twenty (120) days after the expiration of each fiscal year.

VIII. Notice of Meetings and Agenda

The shareholders' general meeting shall be the power organ of the Company. It shall exercise powers and functions according to laws.

Without a prior approval from the shareholders' general meeting, the Company shall not enter into any contract with any person other than a Director, Supervisor, our General Manager or other member of senior management whereby the management and administration of the whole or any substantial part of the business of the Company is to be handed over to such person. Shareholders' general meetings are divided into annual general meetings and extraordinary general meetings. Shareholders' general meeting shall be convened by the Board.

Under any of the following circumstances, the Board shall convene an extraordinary general meeting within two (2) months:

i. when the number of Directors is less than the number of Directors required by the Company Law or two-thirds (2/3) of the number of Directors specified in the Articles of Association;

ii. when the unrecovered losses of the Company amount to one-third (1/3) of the total amount of its paid-in share capital;

iii. when shareholder(s) holding 10% or more of the Company's issued and outstanding Shares carrying voting rights request(s) in writing the convening of an extraordinary general meeting;

iv. when deemed necessary by the Board or as requested by the Board of Supervisors;

v. when proposed by more than two (2) independent Directors;

vi. the other circumstance as stipulated by laws, administrative regulations, departmental rules, securities regulations of the locality where the Company's Shares are **[REDACTED]** and the Articles of Association.

When the Company convenes a shareholders' general meeting, written notice of the meeting shall be given forty-five (45) days (including the date of the meeting) before the date of the meeting to

notify all of the Shareholders in the share register of the matters to be considered and the date and the place of the meeting. A Shareholder who intends to attend the meeting shall deliver his/her written reply concerning the attendance of the meeting to the Company twenty (20) days before the date of the meeting.

When the Company convenes a shareholders' general meeting, Shareholders who hold 3% or more of voting Shares in aggregate may raise new motions and submit them to the Company in written form. The Company shall include such motions within the scope of authority of the shareholders' general meeting into the meeting agenda.

The Company shall, based on the written replies received twenty (20) days before the date of the shareholders' general meeting from the Shareholders, calculate the number of voting Shares represented by Shareholders who intend to attend the meeting. If the number of voting Shares represented by the Shareholders who intend to attend the meeting reaches more than one half (1/2) of the Company's total voting Shares, the Company may hold the meeting. If not, then the Company shall within five (5) days notify the Shareholders again by public announcement of the matters to be considered, the date and the place for the meeting. The Company may hold the meeting after the publication of such notice.

An extraordinary general meeting shall not decide on those matters not stated in the notice of meeting.

A notice of meeting of Shareholders shall be required to:

i. be in writing;

ii. specify the place, the date and the time of the meeting;

iii. state the matters to be discussed at the meeting;

iv. provide such information and explanations as are necessary for the Shareholders to exercise a sensible judgment on the proposals before them. Without limiting the generality of the foregoing, where a proposal is made to amalgamate the Company with another, to repurchase Shares, to reorganize the share capital or to restructure the Company in any other way, the terms of the proposed transaction must be provided in detail together with copies of the proposed agreement, if any, and the cause and effect of such proposal must be properly explained;

v. contain a disclosure of the nature and extent, if any, of the material interests of any Director, Supervisor, our General Manager or other member of senior management in the transaction proposed and the effect of the proposed transaction on them in their capacity as Shareholders in so far as it is different from the effect on the interests of the Shareholders of the same class;

vi. contain the full text of any special resolution proposed to be voted at the meeting;

vii. contain conspicuously a statement that a shareholder entitled to attend and vote is entitled to appoint one or more proxies to attend and vote on behalf of him/her and that a proxy need not be a shareholder;

viii. specify the time and place for delivering proxy forms for the relevant meeting.

Notice of shareholders' general meeting shall be served on the Shareholders (whether or not entitled to vote at the meeting), by personal delivery or prepaid mail to their addresses as shown in the register of Shareholders. For the holders of Domestic Shares, notice of the meetings may be issued by way of public announcement.

The public notice shall be published in one or multiple newspapers designated by the securities regulatory authority of the State Council within the interval between forty-five (45) days and fifty (50) days before the date of the meeting. After the publication of such notice, the holders of Domestic Shares shall be deemed to have received the notice of the relevant shareholders' meeting. The accidental omission to give notice of a meeting to, or the non-receipt of notice of a meeting by, any person entitled to receive notice shall not invalidate the proceedings at that meeting and the resolution adopted thereat.

The following matters shall be resolved by an ordinary resolution at a shareholders' general meeting:

i. work reports of the Board and the Board of Supervisors;

ii. plans formulated by the Board for the distribution of profits and for making up losses;

iii. election and removal of the members of the Board and members of the Board of Supervisors, their remuneration and method of payment;

iv. annual financial budgets, statement of final accounts, balance sheets and profit and loss statements and other financial statements of the Company;

v. matters other than those required by the laws and administrative regulations or by the Articles of Association to be adopted by special resolution.

The following matters shall be resolved by a special resolution at a shareholders' general meeting:

i. the increase or decrease of share capital and the issue of Shares of any class, warrants and other similar securities;

ii. the issue of debentures of the Company;

iii. the division, merger, change of the corporate form, dissolution, liquidation of the Company;

iv. an external guarantee which is subject to the approval of the shareholders' general meeting;

v. purchasing and selling any substantial assets of the Company where the anticipated value of the assets to be purchased and sold exceeds 30% of the value of the Company's latest audited total assets within one year;

vi. equity incentive plan;

vii. amendments to the Articles of Association;

viii. any other matters stipulated by laws, administrative regulations, listing rules of the place where the Company's shares are **[REDACTED]** or the Articles of Association, and matters considered by the shareholders' general meeting, by way of an ordinary resolution, to be of a nature which may have a material impact on the Company and should be adopted by a special resolution.

IX. Transfer of Shares

All the fully paid-up H Shares can be freely transferred in accordance with the Articles of Association. However, unless such transfer complies with the following requirements, the Board may refuse to recognize any instrument of transfer without providing any reason:

i. the registration fee of each instrument of transfer which represents the highest amount according to the then requirements of the Listing Rules has been paid to the Company for the purpose of registering the instruments of transfer and other documents relating to or affecting the title to Shares, and the charge of fees in relation thereto shall not exceed the maximum amount as specified by the Hong Kong Stock Exchange from time to time under the Listing Rules;

ii. the instrument of transfer only relates to H Shares;

iii. the stamp duty which is chargeable on the instrument of transfer has already been paid;

iv. the relevant share certificate(s) and any other evidence which the Board may reasonably require to show that the transferor has the right to transfer the Shares have been provided;

v. if the Shares are transferred to joint holders, the number of joint holders shall not exceed four (4); and

vi. the Shares are not subject to any lien.

The alteration and rectification of each part of the share register shall be carried out in accordance with the laws of the place where the register is maintained.

No changes in the register of Shareholders due to the transfer of Shares shall be made within thirty (30) days before the date of a shareholders' general meeting or within five (5) days before the record date for the Company's distribution of dividends.

Upon approval by the securities regulatory organ of the State Council, the Company may issue Shares to domestic investors and overseas investors.

X. Power of the Company to Purchase its Own Shares

In accordance with the provisions of the Articles of Association, the Company may reduce its registered capital.

The Company may, subject to the laws and administrative regulations and with approval according to the procedures provided in the Articles of Association and subject to the approval of the relevant governing authority of the State, repurchase its issued Shares under the following circumstances:

i. cancelation of Shares for the reduction of its capital;

ii. merging with another company that holds Shares in the Company;

iii. awarding of share incentives to the Company's staff;

iv. being requested to repurchase the Shares of the Company by the Shareholders who object to the resolution adopted at the shareholders' general meeting concerning merger and division of the Company;

v. other circumstances permitted by laws and administrative regulations.

Where the Company needs to repurchase its Shares for any reasons mentioned in items (i) to (iii) of the preceding paragraph, it shall be subject to a resolution passed at a general meeting. Shares repurchased by the Company under circumstance mentioned in item (i) shall be canceled within ten (10) days after the purchase, while Shares repurchased under circumstance mentioned either in item (ii) or item (iv) shall be transferred or canceled within six (6) months.

Shares repurchased by the Company under circumstance mentioned in item (iii) of the preceding paragraph shall not exceed five percent (5%) of the total Shares issued by the Company. The funds used for the repurchase shall be paid from the after-tax profits of the Company. The Shares repurchased by the Company shall be transferred to the employees within one (1) year.

The Company shall repurchase its issued and outstanding Shares in accordance with the provisions of Article 30 to Article 34.

The Company may, with the approval of the securities regulatory authority of the State Council, repurchase its Shares, conducting the repurchase in one of the following ways:

i. making a pro rata general offer of repurchase to all of its Shareholders;

ii. repurchase Shares through public dealing on a stock exchange;

iii. repurchase by an agreement outside a stock exchange;

iv. other circumstances permitted by laws, administrative regulations and the regulatory authority.

Where the Company repurchases its Shares by an off-market agreement, the prior approval of shareholders' general meeting shall be obtained in accordance with the Articles of Association. The Company may release, vary or waive its rights under a contract so entered into by the Company with the prior approval of shareholders' general meeting obtained in the same manner.

A contract to repurchase Shares previously mentioned includes (without limitation) an agreement to become obliged to repurchase or an acquisition of the right to repurchase Shares. The Company shall not assign the contracts to repurchase Shares and its rights under such contracts.

Shares repurchased in accordance with law by the Company shall be canceled within the period prescribed by laws and administrative regulations of the PRC, and the Company shall apply to the original company registration authority for registration of the change of its registered share capital. The amount of the Company's registered share capital shall be reduced by the aggregate par value of those canceled Shares.

Unless the Company is in the course of liquidation, it must comply with the following provisions in relation to repurchase of its issued Shares:

i. where the Company repurchases Shares of the Company at par value, payment shall be made out of book surplus distributable profits of the Company or out of proceeds of a new issue of new Shares made for that purpose;

ii. where the Company repurchases Shares of the Company at a premium to its par value, payment up to the par value shall be made out of the book surplus distributable profits of the Company or out of the proceeds of a fresh issue of Shares made for that purpose. Payment of the portion in excess of the par value shall be effected as follows:

(1) if the Shares being repurchased were issued at par value, payment shall be made out of the book surplus distributable profits of the Company;

(2) if the Shares being repurchased were issued at a premium to its par value, payment shall be made out of the book surplus distributable profits of the Company or out of the proceeds of a new issue of Shares made for that purpose, provided that the amount paid out of the proceed of the new issue shall not exceed the aggregate of premiums received by the Company on the issue of the Shares repurchased nor the current amount of the Company's share premium account (including the premiums on the fresh issue);

iii. payment by the Company in consideration of the following shall be made out of the Company's distributable profits:

(1) acquisition of rights to repurchase Shares of the Company;

(2) variation of any contract to repurchase Shares of the Company;

(3) release of any of the Company's obligations under any contract to repurchase Shares of the Company; and

iv. after the Company's registered share capital has been reduced by the total par value of the canceled Shares in accordance with the relevant provisions, the amount deducted from the distributable profits of the Company for payment of the par value portion of the Shares repurchased shall be transferred to the Company's capital reserve fund account.

Any law, regulation or relevant provision relating to financial treatment of the aforesaid stock repurchase by the regulatory authorities in the place where the Company is **[REDACTED]** shall prevail over the proceeding articles.

XI. Power of Any Subsidiary of the Company to Own Shares in the Company

There are no provisions in the Articles of Association preventing ownership of Shares in the Company by a subsidiary.

XII. Dividends and Other Methods of Profit Distribution

The Company may distribute dividends in the following form:

i. Cash;

ii. Stock;

iii. Combination of cash and stock;

Before making up the losses and contributing to the statutory surplus reserve, the Company shall not make profit distribution.

Dividends or other payments declared by the Company to be payable to holders of Domestic Shares shall be declared and paid in RMB. Those payable to holders of **[REDACTED]** foreign Shares shall be declared and calculated in RMB, and paid in Hong Kong dollars. As for the foreign currency needed by the Company for payment of cash dividends and other funds which are payable to holders of **[REDACTED]** foreign Shares, it shall be handled in accordance with any related national regulations on foreign exchange control.

The Company shall appoint receiving agents on behalf of holders of **[REDACTED]** foreign Shares to receive on behalf of such Shareholders dividends declared and all other monies payable by the Company in respect of their foreign shares. The receiving agents appointed by the Company shall be in compliance with the requirements of the laws or the rules of the stock exchange of the place where it is **[REDACTED]**. The receiving agents appointed on behalf of holders of the foreign Shares **[REDACTED]** in Hong Kong shall be a company registered as a trust company under the Trustee Ordinance of Hong Kong.

XIII. Proxies

Any shareholder entitled to attend and vote at a meeting of Shareholders shall be entitled to appoint one or more other persons (whether a shareholder or not) as his/her proxy to attend and vote on his/her behalf, and a proxy so appointed shall:

i. have the same right as the shareholder to speak at the meeting;

ii. have authority to demand or join in demanding a poll;

iii. have the right to vote by show of hands or on a poll, but a proxy of a shareholder who has appointed more than one proxy may only vote on a poll.

Shareholders shall appoint proxy in writing. The proxy form shall be signed by the appointer or its authorized representative who has been authorized in writing. If the appointer is a legal person, the document shall be affixed with the legal person's seal or signed by its director or duly authorized representative. Such proxy form must clearly indicate the number of Shares which are represented by the proxy in the content and format specified in this Article. Where a shareholder appoints more than one proxy, he/she shall specify the number of Shares represented by each proxy in the proxy form.

The proxy form for voting shall be placed at the domicile of the Company, or at other place designated in the notice of meeting, at least twenty-four (24) hours prior to convening of the meeting which the relevant matters will be voted on, or twenty-four (24) hours prior to the designated voting time. If the proxy form is signed by a person authorized by the appointer, the power of attorney or other authorization document shall be notarized. The notarized power of attorney or other authorization document shall be placed together with the proxy form authorizing the proxy to vote at the domicile of the Company or other place designated in the notice of meeting.

If the appointer is a legal entity, its legal representative or such person as is authorized by resolution of its board of directors or other governing body to act as its representative may attend at any meeting of Shareholders of the Company as a representative of the appointer.

Any form issued to a Shareholder by the Board for use by him/her for appointing a proxy to attend and vote at a meeting of the Company shall be such as to enable the Shareholder according to his/her intention, to instruct the proxy to vote in favor of or against each resolution dealing with matters to be voted at the meeting. Such a form shall contain a statement that in the absence of instructions by the shareholder the proxy may vote as he thinks fit.

A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or loss of capacity of the appointer or revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the Shares in respect of which the proxy is given, provided that no notice in writing of such death, insanity, revocation or transfer as aforesaid shall have been received by the Company before the commencement of the meeting at which proxy is used.

XIV. Calls on Shares and Forfeiture of Shares

There are no provisions in the Articles of Association relating to the making of calls on Shares or for the forfeiture of Shares.

Under precondition of compliance with PRC laws and regulations, the power of forfeiting unclaimed dividends (or retaining dividends for any purpose of the Company) shall not be exercised by the Company unless the relevant validity period has lapsed.

As for the dividend warrants sent by mail to Shareholders, the Company is entitled to cease sending such dividend warrants by mail only after two (2) consecutive failures of cashing after the posting of such dividend warrants. However, if the first dividend warrant fails to reach the shareholder and is returned undelivered, the Company is entitled to exercise such right.

The Company's right to sell the Shares of untraceable Shareholders shall not be exercised unless:

i. at least three (3) dividends in respect of the Shares have been distributed in the past twelve (12) years and no such dividends have been claimed during such period; and

ii. the Company has published an advertisement on newspapers (as defined in the Listing Rules) upon expiry of the period of twelve (12) years, stating its intention to sell the Shares, and has notified the same to the Hong Kong Stock Exchange

XV. Register of Shareholders and Rights of Shareholders

The Company may, in accordance with the mutual understanding and agreements made between the securities regulatory authorities of the State Council and overseas securities regulatory organizations, maintain the register of Shareholders for holders of **[REDACTED]** foreign Shares overseas and appoint overseas agent(s) to manage such register of Shareholders. The original register of Shareholders for holders of H Shares **[REDACTED]** in Hong Kong shall be maintained in Hong Kong.

A duplicate register of Shareholders for holders of **[REDACTED]** foreign Shares shall be maintained at the domicile of the Company. The appointed overseas agent(s) shall ensure consistency between the original and the duplicate register of Shareholders at all times.

If there is any inconsistency between the original and the duplicate register of Shareholders for holders of **[REDACTED]** foreign Shares, the original register of Shareholders shall prevail.

The Company shall maintain a complete register of Shareholders.

The register of Shareholders shall comprise the following parts:

i. register of Shareholders other than those provided in paragraphs (ii) and (iii) below kept at the domicile of the Company;

ii. the register of Shareholders in respect of the holders of **[REDACTED]** foreign Shares of the Company which is maintained in the same place where the overseas stock exchange on which the Shares are **[REDACTED]** is located; and

iii. the register of Shareholders which is maintained in such other place as the Board may consider necessary for the purposes of the **[REDACTED]** of the Company's Shares.

Different parts of the register of Shareholders shall not overlap. No transfer of any Shares registered in any part of the register shall, during the continuance of that registration, be registered in any other part of the register.

Any amendments or corrections to the different parts of the register of Shareholders shall be carried out according to the governing laws of the place where the register of Shareholders are kept.

No change may be made in the register of Shareholders as a result of a transfer of Shares within thirty (30) days prior to the date of a general meeting or within five (5) days before the determination date for the Company's distribution of dividends.

When the Company needs to convene a general meeting, distribute dividends, conduct liquidation or perform other acts as required for the purpose of determining shareholdings, the Board shall determine a record date for the determination of shareholdings. The Shareholders of the Company shall be such persons who appear in the register of Shareholders at the close of such record date.

Any person who disputes the register of Shareholders and asks for inclusion of his/her/its name (title) in or removal of his/her/its name (title) from the register of Shareholders may apply to a court of competent jurisdiction for rectification of the register of members.

XVI. Quorum for Meetings and Separate Class Meetings

The Company shall, based on the reply slip received twenty (20) days before the date of the general meeting (excluding the date of the general meeting), calculate the number of voting Shares represented by the Shareholders who intend to attend the meeting. If the number of voting Shares represented by the Shareholders who intend to attend the meeting reaches more than one half (1/2) of the Company's total voting Shares, the Company may hold the general meeting; Otherwise, the Company shall within five (5) days notify the Shareholders again, by way of an announcement, of the matters to be considered at, and the venue and date for, the meeting. The Company may then proceed to hold the general meeting.

XVII. Rights of the Minorities in Relation to Fraud or Oppression

In addition to obligations imposed by laws, administrative regulations or, in the exercise of his rights as a shareholder, required by the listing rules of stock exchange on which Shares of the Company are **[REDACTED]**, a controlling shareholder shall not exercise his voting rights in a manner prejudicial to the interests of the Shareholders generally or of some part of the Shareholders of the Company:

i. to relieve a Director or Supervisor of his/her duty to act honestly in the best interests of the Company;

ii. to approve the expropriation by a Director or Supervisor (for his/her own benefit or for the benefit of another person), in any guise, of the Company's property, including (without limitation) opportunities beneficial to the Company;

iii. to approve the expropriation by a Director or Supervisor (for his/her own benefit or for the benefit of another person) of the individual rights or interests of other Shareholders, including (without limitation) rights to distributions and voting rights save pursuant to a restructuring submitted to Shareholders for approval and adopted by the shareholders' general meeting in accordance with the Articles of Association.

For these purposes, a "controlling shareholder" means a person who satisfies any one of the following conditions:

i. he alone, or acting in concert with others, has the power to elect more than half of the Board of Directors;

ii. he alone, or acting in concert with others, has the power to exercise or to control the exercise of 30% or more of the voting rights in the Company;

iii. he alone, or acting in concert with others, holds 30% or more of the issued and outstanding Shares of the Company;

iv. he alone, or acting in concert with others, in any other manner has de facto control of the Company.

XVIII. Procedures on Liquidation

The Company shall be dissolved and liquidated upon the occurrence of any of the following events:

i. expiry of valid term of business;

ii. a resolution for dissolution is passed by shareholders' general meeting;

iii. dissolution is necessary due to a merger or division of the Company;

iv. the Company is legally declared bankrupt due to its failure to repay debts due;

v. the Company has its business licence being revoked, or is ordered to close down or be dissolved in accordance with law; or

vi. a court order of dissolution of the Company by the people's court in accordance with Article 182 of the Company Law.

In the case of dissolution of the Company under items (i), (ii), (v) and (vi) of the preceding article, a liquidation committee shall be formed within fifteen (15) days thereafter and the members of the liquidation committee shall be determined by general meeting through ordinary resolution. Where a liquidation committee is not established according to schedule, the creditors may apply to the people's court to organize the relevant personnel to establish a liquidation committee to proceed with the liquidation.

In the case of dissolution of the Company under item (iv) of the preceding article, the people's court shall, according to relevant legal provisions, organize the Shareholders, relevant departments and professionals to form a liquidation committee to carry out liquidation.

Where the Board decides to liquidate the Company due to causes other than the declaration of insolvency, the Board shall include a statement in its notice convening a shareholders' general meeting

to consider the proposal to the effect that, after making full inquiry into the affairs of the Company, the Board is of the opinion that the Company will be able to pay off its debts in full within twelve (12) months from the commencement of the liquidation.

Upon the passing of the resolution by the shareholders' general meeting for the liquidation of the Company, all functions and powers of the Board shall cease.

The liquidation committee shall act in accordance with the instructions of the shareholders' general meeting to make a report at least once a year to the shareholders' general meeting on the committee's income and expenditure, the business of the Company and the progress of the liquidation and to present a final report to the shareholders' general meeting on completion of the liquidation.

XIX. Other Provisions Material to the Company and our Shareholders

General Provisions

The Company is a limited company by Shares of foreign investment in perpetual existence.

Being approved by the shareholders' general meeting by way of a special resolution, the Articles of Association is the code of conduct of the Company and will become effective on the date when the H Shares of the Company are **[REDACTED]** on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") and supersede the articles of association originally filed with the company registration authority.

The Articles of Association shall be the legally binding document regulating the structure and behavior of the Company and the rights and obligations between the Company and its Shareholders and among Shareholders, from the date when it becomes effective.

The Company may invest in other limited liability companies, joint stock limited companies and other entities and shall assume responsibilities to an invested company with limitation to its capital contribution.

The Company shall not become a shareholder with unlimited liability of profit-making bodies.

Except as otherwise provided by laws, the Company shall not become a capital contributor that shall be jointly and severally liable for the debts of its investee enterprises.

Shares and Transfer

The Company may, based on its operating and development needs, authorize the increase of its capital pursuant to relevant provisions of the Articles of Association.

i. by offering new Shares for subscription by unspecified investors;

ii. by offering new Shares for subscription by specified investors;

iii. by placing new Shares to its existing Shareholders;

iv. by allotting new Shares to its existing Shareholders;

v. by converting capital reserves;

vi. by any other means which is permitted by the laws and administrative regulations.

After the Company's increase of share capital by means of the issuance of new shares has been approved in accordance with the provisions of the Articles of Association and the listing rules of the place where it is **[REDACTED]**, and the issuance shall be made in accordance with the procedures set out in the relevant laws and administrative regulations of the State and the listing rules of the place where it is **[REDACTED]**.

Unless otherwise required by the laws and administrative regulations of the PRC and securities regulatory authorities of the place where the Company's securities are **[REDACTED]**, paid-up Shares of the Company shall be freely transferable and are not subject to any lien.

The Company must prepare a balance sheet and an inventory of assets when it reduces its registered capital in accordance with the Company Law, other relevant regulations and procedures provided for in the Articles of Association. The Company shall notify its creditors within ten (10) days of adopting the resolution to reduce its registered capital and shall publish at least three announcements in newspaper within thirty (30) days. A creditor shall have the right within thirty (30) days from the receipt of a written notice or, for those who have not received a written notice, within forty five (45) days from the date of the first public announcement, to require the Company to repay its debts or to provide a corresponding guarantee for such debt. The Company's registered capital shall not, after the reduction in capital, be less than the minimum amount as prescribed by law.

Shareholder

A shareholder of the Company is a person who lawfully holds Shares of the Company and whose name (title) is entered in the register of Shareholders.

A shareholder shall enjoy rights and assume obligations according to the class and amount of Shares held by him/her; Shareholders who hold Shares of the same class shall enjoy the same rights and assume the same obligations.

The Shareholders of ordinary Shares of the Company shall enjoy the following rights:

i. the right to receive dividends and other distributions in respect of paid-up Shares held by them;

ii. the right to attend or appoint a proxy to attend general meetings and the right to exercise the voting rights;

iii. the right to supervise the Company's business operations, the right to present proposals or to raise queries;

iv. the right to transfer Shares in accordance with laws, administrative regulations as well as the Articles of Association;

v. the right to obtain relevant information in accordance with the Articles of Association, in which information includes:

   (1) the right to obtain the Articles of Association, subject to payment of costs;

   (2) the right to inspect and copy, subject to payment of a reasonable fee as follows:

      (i) all parts of the register of Shareholders;

(ii) personal particulars of each of the Directors, Supervisors, general managers and other senior management members of the Company, including:

(a) present and former name and alias;

(b) principal address (place of residence);

(c) nationality;

(d) primary and all other part-time occupations and duties;

(e) identification documents and the numbers thereof.

(3) status of share capital of the Company;

(4) reports showing the aggregate par value, quantity, highest and lowest price paid in respect of each class of Shares repurchased by the Company since the last accounting year and the aggregate amount paid by the Company for this purpose;

(5) minutes of general meetings, and resolutions of meetings of the Board and the Board of Supervisors;

(6) counterfoils of corporate bond certificates;

(7) financial reports previously published or disclosed.

vi. in the event of the termination and liquidation of the Company, the right to participate in the distribution of remaining assets of the Company in accordance with the number of Shares held;

vii. the right to request the Company to purchase back its/his/her Shares, in the event that the shareholder votes against the relevant resolution of any combination or division of the Company approved by the shareholders' general meeting;

viii. the right to put forward an interim proposal and submit it to the Board in written form ten (10) days in advance of a general meeting, if any Shareholder holds or Shareholders together hold more than 3% (three percent) of the Shares of the Company;

ix. other rights conferred by laws, administrative regulations as well as the Articles of Association.

The Shareholders of ordinary Shares of the Company shall assume the following obligations:

i. to comply with laws, administrative regulations and the Articles of Association;

ii. to pay subscription money according to the Shares subscribed and the method of subscription;

iii. to be liable to the Company to the extent of the Shares it/he/she has subscribed for;

iv. not to withdraw any share capital upon approval for registration by the Company, unless otherwise provided for in any law and regulation; and

v. other obligations imposed by laws, administrative regulations as well as the Articles of Association.

To the extent of the conditions prescribed in the subscriptions, the Shareholder shall not be liable for any further contribution to the share capital of the Company.

Board

The Board is responsible to the shareholders' general meeting and exercises the following powers:

i. to be responsible for convening shareholders' general meetings and to report on its work to the shareholders' general meeting;

ii. to implement the resolutions of the shareholders' general meetings;

iii. to decide on the Company's business plans and investment plans;

iv. to formulate the Company's annual financial budget and final accounts;

v. to formulate the Company's profit distribution plan and loss recovery plan;

vi. to formulate debt policy, financial policy, and proposals for the increases or decrease of the Company's registered capital and the issue of corporate debentures;

vii. to formulate proposals for the material acquisition or disposal of the Company and the plans for merger, division and dissolution of the Company;

viii. to decide on the establishment of the Company's internal management structure;

ix. to appoint or remove the Company's General Manager, based on the recommendations of the General Manager, to appoint or remove deputy General Manager and chief financial officer, to appoint or remove the secretary of the Board and, to decide on their remuneration matters;

x. to formulate proposals for any amendment to the Articles of Association;

xi. to approve the guaranties which are not subject to the approval of the shareholders' general meeting;

xii. to approve the purchase and sell of substantial assets of the company which are not subject to the approval of the shareholders' general meeting;

xiii. to formulate the Company's basic management system;

xiv. to determine other major affairs and administrative matters, and sign other important contracts, except the issues to be determined by the shareholders' general meeting according to the Company Law and Articles of Association;

xv. to exercise other function or power conferred on the Board by the shareholders' general meeting and Articles of Association;

xvi. to approve the Company to appoint or change the Directors and shareholder representative Supervisors of the wholly-owned subsidiaries, and to appoint, change or recommend the shareholder's representative, candidates of Directors and candidates of shareholder representative Supervisors of the subsidiaries and the associated enterprises;

xvii. to suggest to the shareholders' general meeting any proposed appointment or dismissal of an accounting firm as the Company's auditor;

xviii. to administrate the information disclosure affairs of the Company;

xix. to decide and supervise the Company's risk management system, including risk assessment, financial control, internal audit and legal risk control.

Except for the Board's resolutions in respect of the matters specified in the above paragraphs (vi), (vii) and (x), which shall be passed by more than two-thirds (2/3) of the Directors, the Board resolutions in respect of all other matters may be passed by more than half of the Directors.

Meetings of the Board shall be held at least four (4) times a year and convened by the chairman of the Board. Notice of the meeting shall be served on all of the Directors and Supervisors fourteen (14) days before the date of the regular Board meeting. A regular Board meeting shall not be convened by way of circulation of written resolutions to obtain approval from the Board. In case of emergency, an extraordinary Board meeting may be held upon requisition by either the chairman, or more than one third (1/3) of the Directors, the Board of Supervisors or Shareholders representing more than one tenth (1/10) of voting rights or the general manager. In such case, an extraordinary Board meeting is not restricted by notice of meeting in Article 103 of the Article of Association. All reasonable expenses incurred by the Directors for attending the Board meeting shall be borne by the Company.

Board meetings shall be held only if more than half (1/2) of all the Directors (including any alternate Director appointed by written authorization in accordance with Article 106) are present. Each Director shall have one vote. The voting method used in Board meetings must be in a manner of ballot or show of hands. The Board of Directors' resolutions must be voted for by more than half of all the Directors. In the case of an equality of votes, the chairman of the meeting shall be entitled to a casting vote.

A Director shall abstain from voting on adoption of any resolution proposed at a Board meeting any contract, transaction or arrangement in which he himself or any of its/his/her close associates (as defined in the Listing Rules) is interested. Such Director shall not be counted in the quorum of the relevant meeting.

Independent Non-Executive Directors

The Company shall have a Board which shall consist of nine (9) Directors. The member of external Directors shall be no less than one-half (1/2) of the Board and more than four (4) of whom shall be independent non-executive Directors.

Board of Supervisors

The Company shall have a Board of Supervisors, which exercises the daily supervisory function. The Directors, general manager, vice general manager, chief financial officer and other members of senior management shall not act concurrently as Supervisors.

The Board of Supervisors shall be composed of three (3) Supervisors. The Board of Supervisors shall include shareholders representative Supervisor and an appropriate proportion of employee representative Supervisors who shall be no less than one third (1/3). The Board of Supervisors shall have one (1) chairman. The term of office of Supervisors shall be three (3) years, renewable upon

re-election and reappointment. The appointment and removal of the chairman of the Board of Supervisors shall be determined by more than two-thirds (2/3) of the members of the Board of Supervisors by resolution.

The Board of Supervisors shall comprise one (1) shareholder representative Supervisor and two (2) employee representative Supervisors of the Company. The shareholder representative Supervisor shall be elected and removed by shareholders' general meetings; and the employee representative Supervisors shall be elected and removed by the employees of the Company democratically.

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

i. to examine the Company's financial position;

ii. to supervise the performance of duties by the Directors, general manager and other members of senior management in violation of the laws, administrative regulations or the Articles of Association;

iii. to demand rectification from a Director, general manager and other members of senior management when the acts of such persons are harmful to the Company's interest;

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

v. to propose to convene an extraordinary general meeting;

vi. to represent the Company in communication with Directors or institute proceedings against Directors;

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

The Board of Supervisors may give advice on the Company's engagement of accounting firms. When necessary, the Board of Supervisors may otherwise authorize, in the Company's name, accounting firms to review the Company's financial position independently and may report the situation directly to the securities regulatory organ of the State Council and other relevant departments.

Supervisors may sit in meetings of the Board.

Chairman of the Board

The chairman of the Board shall exercise the following duties and powers:

i. to preside over the shareholders' general meeting, convene and preside over the meetings of the Board;

ii. to inspect the implementation of the resolutions of the Board;

iii. to sign the securities issued by the Company;

iv. to exercise other duties and powers authorized by the Board.

If the chairman of the Board is unable to perform his/her duties, a (1) Director jointly nominated by a majority of the Directors shall perform the duties.

General Manager of the Company

The Company shall have one (1) general manager, who shall be appointed and dismissed by the Board.

Our general manager shall be accountable to the Board and exercise the following duties and powers:

i. to be in charge of the Company's operation and management and to organize the implementation of the resolutions of the Board;

ii. to organize the implementation of the Company's annual business plan and investment plan;

iii. to draft plans for the establishment of the internal organizational structure of the Company;

iv. to draft plans for the establishment of the Company's branches;

v. to draft the Company's basic management system;

vi. to formulate basic rules and regulations for the Company;

vii. to propose the appointment or dismissal of our deputy general manager and chief financial officer;

viii. to appoint or dismiss management personnel other than those required to be appointed or dismissed by the Board;

ix. to exercise other duties and powers conferred by the Articles of Association and the Board.

Our general manager may sit in meetings of the Board and has the right to receive notices of meeting and relevant documents. However, the general manager shall have no voting rights at the meetings unless he is also a Director.

In performing their functions and powers, the general manager, vice general manager and chief financial officer shall act honestly and diligently in accordance with laws, administrative regulations and the Articles of Association.

Surplus Reserve

When distributing the after-tax profits of the current year, the Company shall allocate 10% of its profits into its statutory surplus reserve. When the cumulated amount of the statutory surplus reserve of the Company has reached more than 50% of its registered capital, no further allocation is required.

Where the statutory surplus reserve of the Company is insufficient to make up for the losses of the Company incurred during the previous year, before making allocation to the statutory surplus reserve in accordance with the preceding paragraph, the profits generated during the current year shall be used to make up for such losses.

After making allocation to the statutory surplus reserve of the Company from its after-tax profits, the Company may, subject to resolutions adopted at a shareholders' general meeting, also allocate funds from the after-tax profits to the discretionary surplus reserve.

After making up for the losses and making contributions to the surplus reserve, any remaining profits shall be distributed to the Shareholders in proportion to their respective shareholdings.

The profits shall not be distributed until the Company has made up for its losses and made allocations to the statutory surplus reserve.

Secretary of the Board

The secretary of the Board shall be a natural person(s) who has the requisite professional knowledge and experience, and shall be appointed by the Board. The primary responsibilities include:

i. to ensure that the Company's documents and records are complete;

ii. to ensure the lawful preparation and submission by the Company of reports and documents as required by the relevant authorities;

iii. to ensure that the register of Shareholders is properly maintained, and to ensure that persons who are entitled to obtain the Company's records and documents can timely obtain the relevant records and documents.

Accounts and Audit

Appointment of auditors

The Company shall appoint independent accounting firms which are qualified under the relevant regulations of the PRC to audit the Company's annual financial statements and review the Company's other financial reports. The first accounting firm of the Company may be appointed by the founders' meeting before the first annual general meeting. The term of office of the accounting firm shall terminate at the end of the first annual general meeting. If the founders' meeting does not exercise its functions and powers according to the aforesaid provisions, then the Board shall exercise such functions and powers.

Before the convening of the shareholders' general meeting, the Board may fill any casual vacancy in the office of the accounting firm, provided that if there is another accounting firm in office for the Company during the period of such vacancy, such accounting firm may act.

The shareholders' general meeting may, by ordinary resolution, remove an accounting firm before the expiration of its term of office, notwithstanding the stipulations in the contract between the Company and the firm, but without prejudice to the firm's right to claim, if any, for damages in respect of such removal.

The remuneration of an accounting firm or the manner in which such firm is to be remunerated shall be determined by the shareholders' general meeting. The remuneration of an accounting firm appointed by the Board shall be determined by the Board.

Change and removal of accounting firm

The Company's appointment, removal or non-reappointment of an accounting firm shall be resolved by its shareholders' general meeting.

Where any resolution is to be proposed at a shareholders' general meeting for the purpose of appointment of an accounting firm, which is not an incumbent firm to fill a casual vacancy in the office

of the accounting firm, or re-appointment of a retiring accounting firm which was appointed by the Board to fill a casual vacancy, or removal of the accounting firm before the expiration of its term of office, the following provisions shall apply:

i. A copy of the proposal in connection with appointment or removal shall be sent to the accounting firm, which is proposed to be appointed, or intends to leave or has left in the relevant financial year its post, before the notice is delivered. Leaving includes leaving by removal, resignation and retirement.

ii. If the accounting firm leaving its post makes representations in writing and requests the Company to notify the Shareholders of such representations, the Company shall (unless the representations are received too late):

   (1) in any issued notice of the resolution, state the fact of the representations having been made by the accounting firm leaving its post;

   (2) deliver a copy of the representations as attached to the notice to the Shareholders in the manner stipulated in the Articles of Association.

iii. If the Company fails to send out the accounting firm's representations in accordance with paragraph ii above, the relevant accounting firm may require that the representations be read out at the shareholders' general meeting and may make a further appeal.

iv. An accounting firm which is leaving its post shall be entitled to attend:

   (1) the shareholders' general meeting at which its term of office would otherwise have expired;

   (2) any shareholders' general meeting at which it is proposed to fill the vacancy caused by its removal;

   (3) any shareholders' general meeting convened on its resignation;

and to receive all notices of, and other communications relating to, any such meetings, and to speak at any such meeting in relation to matters concerning its role as the former accounting firm of the Company.

Resignation of accounting firm

Where the accounting firm resigns its office, it shall make clear to the shareholders' general meeting of the Company whether there has been any impropriety. The accounting firm may resign its office by depositing at the Company's residence a resignation notice in writing which shall become effective on the date of the deposit or on such later date as otherwise stipulated in the notice. Such notice shall include the following:

i. a representation to the effect that there are no circumstances connected with its resignation which it considers should be brought to the notice of the Shareholders or creditors of the Company; or

ii. a statement of any such circumstances.

Where a written notice is deposited under the preceding paragraph, the Company shall within fourteen (14) days send a copy of the notice to the relevant competent authority. If the notice contains

the statement under the preceding paragraph (ii), a copy of such statement shall be placed at the Company's residence for the inspection of its Shareholders. The Company shall also send a copy of such statement by prepaid mail to every holder of **[REDACTED]** foreign Shares at the address registered in its register of members.

Where the notice of resignation of the accounting firm contains a statement of any circumstance which should be brought to other's notice, the accounting firm may require the Board to convene an extraordinary general meeting for the purpose of receiving an explanation of the circumstances connected with its resignation.

T. Dispute Resolution

The Company shall settle disputes in accordance with the following principles:

i. Any dispute or claim of rights relating to the affairs of the Company and arising between holders of **[REDACTED]** foreign Shares and the Company, or between holders of **[REDACTED]** foreign Shares and Directors, Supervisors, general managers or other senior management members of the Company, or between holders of **[REDACTED]** foreign Shares and holders of Domestic Shares, as a result of the rights and obligations provided for in the Articles of Association, the Company Law and other applicable laws, administrative regulations, shall be referred to arbitration by parties involved.

Where a dispute or claim of rights referred to in the preceding paragraph is referred to arbitration, the entire claim or dispute must be referred to arbitration, and all persons who have a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim, where the persons being the Company or Shareholders, Directors, Supervisors, general managers or other senior management members of the Company, shall comply with the arbitration. Disputes in respect of the definition of Shareholders and disputes in relation to the register of members need not be resolved by arbitration.

ii. A claimant may elect for arbitration to be carried out at either the China International Economic and Trade Arbitration Commission in accordance with its arbitration rules or the Hong Kong International Arbitration Center in accordance with its securities arbitration rules. Once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body elected by the claimant.

If the claimant elects for arbitration to be carried out at the Hong Kong International Arbitration Center, any party may request the arbitration to be conducted in Shenzhen in accordance with the securities arbitration rules of the Hong Kong International Arbitration Center.

iii. The resolution of any dispute or claim of rights referred to in paragraph i above by arbitration is subject to the PRC laws, unless otherwise required by laws and administrative regulations.

iv. The award of an arbitration body shall be final and conclusive and binding on all parties.

FURTHER INFORMATION ABOUT OUR COMPANY

Incorporation

The predecessor of our Company, Haitong UniTrust International Leasing Corporation, was incorporated in the PRC in July 2004 as a wholly foreign-owned limited liability company according to PRC Company Law under the name of Matsuyama Nissin Investment Consulting (Shanghai) Co., Ltd. (松山日新投資諮詢（上海）有限公司). Subsequently, it was renamed as Matsuyama Nissin Investment & Consulting (Shanghai) Co., Ltd. (松山日新投資管理（上海）有限公司) in December 2004, Matsuyama Nissin Leasing (Shanghai) Co., Ltd. (松山日新租賃（上海）有限公司) in July 2005, Nissin Leasing (China) Co., Ltd. (日新租賃（中國）有限公司) in February 2006, UniTrust Finance & Leasing Corporation (恒信金融租賃有限公司) in April 2009 and Haitong UniTrust International Leasing Corporation (海通恒信國際租賃有限公司) in October 2014 respectively.

On May 27, 2017, we were converted into a joint stock limited company and renamed as Haitong UniTrust International Leasing Co., Ltd. (海通恆信國際租賃股份有限公司).

Our Company has established a principal place of business in Hong Kong at 40th Floor, Sunlight Tower, 248 Queen's Road East, Wanchai, Hong Kong and has been registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on June 21, 2017. Ms. So Shuk Yi Betty has been appointed as the authorized representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong. The address for service of process of our Company in Hong Kong is the same as our principal place of business in Hong Kong as set out above.

As we are established in the PRC, our corporate structure and Articles of Association are subject to the relevant laws and regulations of the PRC. A summary of the relevant provisions of our Articles of Association is set out in "Appendix V – Summary of Articles of Association." A summary of certain relevant aspects of the laws and regulations of the PRC are set out in "Appendix IV – Summary of Principal Legal and Regulatory Provisions."

Changes in Share Capital

On May 27, 2017, our Company was converted into a joint stock limited company. Upon the conversion, our registered share capital was RMB7.0 billion.

For further details, see "History, Reorganization and Corporate Structure – Our History and Development."

Save as disclosed above, there has been no alteration in our share capital within two years immediately preceding the date of this Document.

Resolutions of Shareholders

Pursuant to the resolutions of our Shareholders passed on June 8, 2017, our Shareholders resolved that, among other things:

(a) the number of H Shares to be issued shall represent no more than **[REDACTED]**% of the total issued share capital of the Company following the **[REDACTED]** (excluding the shares to be issued pursuant to the **[REDACTED]**);

(b) subject to the completion of the **[REDACTED]**, the Articles of Association, which shall become effective on the **[REDACTED]**, shall be adopted and the Board shall be authorized to amend the Articles of Association in accordance with the requirements of the relevant laws and regulations, and requirement of the relevant authorities; and

(c) the Board and its authorized persons are authorized to deal with matters in connection with the **[REDACTED]** and **[REDACTED]**.

Our Subsidiaries

The list of our subsidiaries as at the Latest Practicable Date is set out in the Accountant's Report contained in Appendix I to this Document. Save as disclosed below, there has been no alteration in the share capital of any of our subsidiaries within the two years immediately preceding the date of this Document.

(a) On August 24, 2017, Haitong UniTrust Financial Leasing further increased its registered capital to RMB1.36 billion.

(b) On October 12, 2018, we completed the capital injection of US$33.47 million to Haitong UT Leasing HK, upon which, the registered capital of Haitong UT Leasing HK increased from US$1 million to US$34.47 million.

Restriction on Share Repurchase

See "Appendix IV – Summary of Principal Legal and Regulatory Provisions – The PRC Company Law, Special Regulations and Mandatory Provisions – 6. Repurchase of shares" for details.

FURTHER INFORMATION ABOUT OUR BUSINESS

Summary of Material Contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within two years immediately preceding the date of this Document that are or may be material:

(a) a share entrustment agreement dated June 8, 2017, entered into between the Company and Haitong UT Capital, pursuant to which Haitong UT Capital agreed to transfer its 25% equity interest in each of Haitong UniTrust Financial Leasing, Gui'an UT and Haitong UniFortune to a wholly-owned subsidiary of the Company, and to entrust such equity interest to the Company during the entrustment period;

(b) a share transfer agreement dated October 23, 2017, entered into between the Company, Haitong UT Capital and its wholly-owned subsidiary Haitong UT Holding Limited, pursuant to which Haitong UT Capital agreed to transfer its 25% equity interest in Haitong UniTrust Financial Leasing to Haitong UT Holding Limited at a consideration of approximately RMB361.9 million (or equivalent USD or HKD);

(c) a share transfer agreement dated October 23, 2017, entered into between the Company, Haitong UT Capital and its wholly-owned subsidiary Haitong UT Holding Limited, pursuant to which Haitong UT Capital agreed to transfer its 25% equity interest in Haitong UniFortune to Haitong UT Holding Limited at a consideration of approximately RMB64.2 million (or equivalent USD or HKD);

(d) a share transfer agreement dated November 20, 2017, entered into between the Company, Haitong UT Capital and its wholly-owned subsidiary Haitong UT Holding Limited and Gui'an Financial, pursuant to which Haitong UT Capital agreed to transfer its 25% equity interest in Gui'an UT to Haitong UT Holding Limited at a consideration of approximately RMB378.5 million (or equivalent USD or HKD);

(e) the **[REDACTED]**; and

(f) **[REDACTED]**.

Intellectual Property Rights

As at the Latest Practicable Date, we have registered or have applied for the registration or have obtained the license of the following material intellectual property rights.

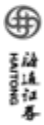
Trademarks

As at the Latest Practicable Date, we own the following trademarks registered in the PRC:

No.	Trademark	Registration Number	Class	Term of Validity
1	恒信	12684278	37	2015.9.7-2025.9.6
2		12684280	37	2015.3.28-2025.3.27
3		12684273	37	2015.9.7-2025.9.6
4	UniTrust	12684275	37	2015.3.21-2025.3.20
5	泛圆投资	23596772	35	2018.3.28-2028.3.27
		23596706	36	2018.3.28-2028.3.27
6	海通恒信	23596058	35	2018.4.7-2028.4.6
		23596132	37	2018.4.7-2028.4.6
		23596224	38	2018.4.7-2028.4.6
		23596251	39	2018.4.7-2028.4.6
		23596376	40	2018.3.28-2028.3.27
		23596427	41	2018.4.7-2028.4.6
		23596392	42	2018.3.28-2028.3.27
		23596562	43	2018.3.28-2028.3.27
		23596657	44	2018.3.28-2028.3.27
		23596456	45	2018.3.28-2028.3.27

No.	Trademark	Registration Number	Class	Term of Validity
7	海通恒运	23595926	35	2018.3.28-2028.3.27
		23595888	36	2018.4.7-2028.4.6
		23596024	37	2018.3.28-2028.3.27
		23596168	38	2018.3.28-2028.3.27
		23596154	39	2018.3.28-2028.3.27
		23596325	40	2018.3.28-2028.3.27
		23596165	41	2018.4.7-2028.4.6
		23596484	42	2018.4.7-2028.4.6
		23596585	43	2018.3.28-2028.3.27
		23596509	44	2018.3.28-2028.3.27
		23596643	45	2018.4.7-2028.4.6
8	恒运宝	24779576	36	2018.7.7-2028.7.6
		24770734	42	2018.9.7-2028.9.6
		24779525	9	2018.8.28-2028.8.27
9	恒运通	24775454	36	2018.7.7-2028.7.6
		24764867	42	2018.8.28-2028.8.27
		24776906	9	2018.9.7-2028.9.6
10	好车E融	24772320	36	2018.9.7-2028.9.6
		24781269	9	2018.9.7-2028.9.6
11	恒信洁绿	29155320	36	2019.1.21-2029.1.20
		29160293	40	2019.1.7-2029.1.6
		29167861	42	2018.12.28-2028.12.27

Haitong Securities Group has licensed the following trademarks to our Company for the validity period of the trademarks.

No.	Trademark	Place of Registration	Class	Registration Number
1.		PRC	36	10443645
2.		PRC	36	13506766
3.		PRC	36	10443648
4.		PRC	36	10443654
5.		PRC	36	10443619
6.		PRC	36	10443622
7.		PRC	36	10443625
8.		Hong Kong	36	300689824
9.		Hong Kong	36	300689833
10.		Hong Kong	36	302040146

As at the Latest Practicable Date, we own the following trademark registered in Hong Kong:

Trademark	Registration Number	Class	Term of Validity
海通恒信	304081248	36	2017.3.17-2027.3.16

Domain Names

As at the Latest Practicable Date, we have registered the following material Internet domain names in the PRC:

No.	Domain Name	Registration Date	Expiry Date
1	utfinancing.com	June 4, 2009	June 4, 2020
2	utflc.com	December 30, 2010	December 30, 2019
3	utfinancing.com.cn	June 4, 2009	June 4, 2020
4	utfl.com.cn	May 6, 2009	May 6, 2020

FURTHER INFORMATION ABOUT OUR DIRECTORS, SUPERVISORS, STAFF, MANAGEMENT AND SUBSTANTIAL SHAREHOLDERS

Disclosure of Interests of Directors and Supervisors

Immediately following the completion of the **[REDACTED]**, assuming that the **[REDACTED]** is not exercised, none of our Directors or Supervisors has any interest and/or short position in the Shares, underlying Shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short position which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules to be notified to our Company, once the Shares are **[REDACTED]** on the Hong Kong Stock Exchange.

Up to the Latest Practicable Date, none of the Directors or Supervisors or their respective spouses and children under 18 years of age had been granted by the Company or had exercised any rights to subscribe for shares or debentures of the Company or any of its associated corporations.

Disclosure of Interests of Substantial Shareholders

For information on the persons who will, immediately following the completion of the **[REDACTED]**, have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to us and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, see "Substantial Shareholders."

Interests of substantial shareholders in members of our Group (other than our Company)

Our subsidiaries	Registered capital	Parties with 10% or more equity interest	Approximate percentage of shareholding (%)
Haitong UniTrust Financial Leasing	RMB1,360,000,000	Haitong UT Holding Limited	25%[1]
Haitong UniFortune	RMB210,000,000	Haitong UT Holding Limited	25%[1]

Notes:

1 On June 8, 2017, the Company and Haitong UT Capital entered into an agreement to acquire the 25% equity interests in each of Gui'an UT, Haitong UniTrust Financial Leasing and Haitong UniFortune held by Haitong UT Capital. According to the agreement, the Company will, on behalf of Haitong UT Capital, exercise shareholder rights other than rights to sell and to receive income (including income rights of equity interests, such as cash dividends and stock dividends) in respect of the equity interests during the Entrustment Period, including but not limited to the rights to decide and to vote and other shareholder's rights of such equity interests. On October 23, 2017, Haitong UT Capital entered into agreements with its wholly-owned subsidiary Haitong UT Holding Limited, and the Company, to transfer its 25% equity interest in each of Haitong UniTrust Financial Leasing and Haitong UniFortune to Haitong UT Holding Limited, at a consideration of approximately RMB361.87 million and RMB64.24 million (or equivalent USD or HKD), respectively. On November 20, 2017, Haitong UT Capital further entered into an agreement with Haitong UT Holding Limited, Gui'an Financial, and the Company, to transfer its 25% equity interest in Gui'an UT to Haitong UT Holding Limited at a consideration of approximately RMB378.53 million (or equivalent USD or HKD). Pursuant to these agreements, Haitong UT Holding Limited agreed to comply with the Entrustment Arrangement and Haitong UT Capital further agreed to subsequently transfer 100% equity interest of Haitong UT Holding Limited to the Group at a consideration determined on the basis of the then applicable latest unaudited net asset value of Haitong UT Holding Limited. On November 15, 2017, January 19, 2018 and June 15, 2018, 25% equity interests in each of Haitong UniFortune, Haitong UniTrust Financial Leasing and Gui'an UT were transferred by Haitong UT Capital to Haitong UT Holding Limited. For details see "History, Reorganization and Corporate Structure."

Service Contracts

Pursuant to Rules 19A.54 and 19A.55 of the Listing Rules, we have entered into a contract with each of our Directors and Supervisors in respect of, among other things, compliance with relevant laws and regulations, the Articles of Association and provisions on arbitration.

Each of the Directors entered into a contract with our Company in [●]. The service contracts primarily contain the following provisions: (a) each of the contracts has a term of three years commencing from the respective appointment date of each Director; and (b) each of the contracts is subject to termination in accordance with their respective terms. The service contracts may be renewed in accordance with our Articles of Association and the applicable rules.

Each of the Supervisors entered into a contract with our Company in [●], in respect of, among other things, compliance with relevant laws, regulations, the Articles of Association and applicable provisions on arbitration.

Save as disclosed above, we have not entered, and will not enter, into any service contracts with any of our Directors or Supervisors in their respective capacities as Directors/ Supervisors (other than contracts expiring or determinable by us within one year without the payment of compensation (other than statutory compensation)).

Directors' and Supervisors' Remuneration

Save as disclosed in "Directors, Supervisors and Senior Management" and under "Appendix I – Accountant's Report – Notes to the Financial Information – 47. Directors' and Supervisors'

Emoluments," no Director or Supervisor received other remuneration or benefits in kind from our Company in respect of each of the three financial years ended December 31, 2018.

Disclaimers

Save as disclosed in this Document:

(a) none of our Directors or Supervisors or any of the parties listed in the paragraph headed "– Qualification of Experts" of this appendix is interested in our promotion, or in any assets which, within the two years immediately preceding the date of this Document, have been acquired or disposed of by or leased to us, or are proposed to be acquired or disposed of by or leased to us;

(b) none of our Directors or Supervisors is materially interested in any contract or arrangement subsisting at the date of this Document which is significant in relation to our business; and

(c) none of our Directors or Supervisors is a director or employee that has an interest or short position in the Shares and underlying shares of our Company which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO.

OTHER INFORMATION

Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

Litigation

As at the Latest Practicable Date, save as disclosed in "Business – Laws and Regulations – Legal Proceedings", our Company is not involved in any litigation, arbitration or administrative proceedings of material importance which could have a material adverse effect on our financial condition or results of operations, and, so far as we are aware, no litigation, arbitration or administrative proceedings of material importance is pending or threatened against us.

Joint Sponsors

The Joint Sponsors have made an application on our behalf to the Listing Committee for the **[REDACTED]** of, and permission to deal in, our H Shares. All necessary arrangements have been made to enable the securities to be admitted into CCASS.

Haitong International Capital is a subsidiary of Haitong Securities, our Controlling Shareholder, and therefore is not independent from our Company under Rule 3A.07 of the Listing Rules. Citigroup and CMBI are independent from our Company under Rule 3A.07 of the Listing Rules.

Other than acting as a Joint Sponsor, the holding company of CICC HK Securities, China International Capital Corporation Limited ("CICC"), is acting as a financial advisor of Haitong Securities in connection with the **[REDACTED]** and separate **[REDACTED]** of the Group pursuant to the requirement imposed by the CSRC in accordance with the Notice on Relevant Issues on the Supervision over

Overseas **[REDACTED]** of Enterprises Held by Domestically Listing Companies 《關於規範境內上市公司所屬企 業到境外上市有關問題的通知》(證監發[2004]67號). Notwithstanding the above, considering that (i) the work of a financial advisor is restricted purely to satisfy the regulatory requirement imposed by the CSRC and the role of CICC as a financial advisor is not in conflict with the role of CICC HK Securities as an independent sponsor for the **[REDACTED]**; and (ii) the service fee due from Haitong Securities to CICC is immaterial compared to the total assets of the Company and that of CICC HK Securities, CICC HK Securities satisfies the independence requirement applicable to sponsor as set out in Rule 3A.07 of the Listing Rules.

A fee of RMB 1 million is payable by our Company to each of the Joint Sponsors to act as a sponsor to our Company in connection with the **[REDACTED]**.

Preliminary Expenses

We have not incurred any material preliminary expense.

Qualification of Experts

The qualifications of the experts who have given opinions in this Document are as follows:

Name	Qualification
Haitong International Capital	Licensed under the SFO to conduct type 6 (advising on corporate finance) regulated activities
CICC HK Securities	Licensed under the SFO to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts), and type 6 (advising on corporate finance) regulated activities
Citigroup	Licensed under the SFO to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts), type 6 (advising on corporate finance), and type 7 (providing automated trading services) regulated activities
CMBI	Licensed under the SFO to conduct type 1 (dealing in securities), and type 6 (advising on corporate finance) regulated activities
Deloitte Touche Tohmatsu	Certified Public Accountants
Grandall Law Firm (Shanghai)	PRC legal advisor
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant

Consents of Experts

Each of the experts referred to in the paragraph headed "– Qualification of Experts" in this appendix has given and has not withdrawn their respective written consents to the issue of this

Document with the inclusion of their reports and/or opinions and/or the references to their names included herein in the form and context in which they are respectively included.

Save for Haitong International Capital, a subsidiary of our Controlling Shareholder, none of the experts named above has any shareholding interests in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

Compliance Advisor

Our Company has appointed Haitong International Capital to act as our compliance advisor upon **[REDACTED]** in compliance with Rule 3A.19 of the Listing Rules.

Taxation of Holders of H Shares

The sale, purchase and transfer of H Shares are subject to Hong Kong stamp duty. The current rate charged on each of the seller and purchaser is HK$1.00 for every HK$1,000 (or part thereof) of the consideration or, if higher, the fair value of the H Shares being sold or transferred.

No Material Adverse Change

Except as disclosed in "Summary – Recent Developments and No Material Adverse Changes" and "Financial Information – Directors' Confirmation of No Material Adverse Change," our Directors have confirmed, after performing all the due diligence work which the Directors consider appropriate, that, as of the date of this Document, there has been no other material adverse change in our financial position or prospects since December 31, 2018 and there has been no other event since December 31, 2018 which would have material adverse effect on the information presented in the Accountant's Report in Appendix I to this Document.

Binding Effect

This Document shall have the effect, if any application is made pursuant hereto, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

Miscellaneous

Save as disclosed in this Document:

(a) within the two years preceding the date of this Document: (i) we have not issued nor agreed to issue any share or loan capital fully or partly paid either for cash or for a consideration other than cash; and (ii) no commissions, discounts, brokerage fee or other special terms have been granted in connection with the issue or sale of any capital of our Group;

(b) no share or loan capital of our Group is under option or is agreed conditionally or unconditionally to be put under option;

(c) our Company has not issued nor agreed to issue any founder shares, management shares or deferred shares;

(d) there are no arrangements under which future dividends are waived or agreed to be waived;

(e) there are no procedures for the exercise of any right of pre-emption or transferability of subscription rights;

(f) there are no contracts for hire or hire purchase of plant to or by us for a period of over one year which are substantial in relation to our business;

(g) there have been no interruptions in our business which may have or have had a significant effect on our financial position in the last 12 months;

(h) there are no restrictions affecting the remittance of profits or repatriation of capital by us into Hong Kong from outside Hong Kong;

(i) no part of the equity or debt securities of our Company, if any, is currently **[REDACTED]** on or dealt in on any stock exchange or trading system, and no such **[REDACTED]** or permission **[REDACTED]** on any stock exchange other than the Hong Kong Stock Exchange is currently being or agreed to be sought;

(j) our Company has no outstanding convertible debt securities or debentures; and

(k) our Company currently does not intend to apply for the status of a sino-foreign investment joint stock limited liability company and does not expect to be subject to the Law of the PRC on Sino-foreign Equity Joint Ventures.

Our Company has adopted a code of conduct regarding Directors' and Supervisors' securities transactions on terms as required under the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules with effect from the **[REDACTED]**.

Bilingual Document

The English language and Chinese language versions of this Document are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and **[REDACTED]** from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

Promoters

The promoters were Haitong UT Capital and Haitong Capital Investment. Save as disclosed in this Document, within the two years immediately preceding the Latest Practicable Date, no cash, security or benefit has been paid, allotted or given, or is proposed to be paid, allotted or given to the promoters named above in connection with the **[REDACTED]** or the related transactions described in this Document.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this Document delivered to the Registrar of Companies in Hong Kong for registration were:

(a) a copy of each of the **[REDACTED]**;

(b) the written consents referred to in the paragraph headed "Other Information — Consents of Experts" in "Appendix VI — Statutory and General Information" to this Document; and

(c) a copy of each of the material contracts referred to in the section headed "Further Information about Our Business — Summary of Material Contracts" in "Appendix VI — Statutory and General Information" to this Document.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Davis Polk & Wardwell at 18th Floor, The Hong Kong Club Building, 3A Chater Road, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this Document:

(a) the Articles of Association;

(b) the accountant's report from Deloitte Touche Tohmatsu in relation to historical financial information, the text of which is set out in Appendix I to this Document;

(c) the audited financial statements of the Group for the three years ended December 31, 2018;

(d) the report from Deloitte Touche Tohmatsu in relation to **[REDACTED]**, the text of which is set out in Appendix II to this Document;

(e) the material contracts referred to in the section entitled "Further Information about Our Business — Summary of Material Contracts" in Appendix VI to this Document;

(f) the service contracts with Directors and Supervisors referred to in "Further Information about Our Directors, Supervisors, Staff, Management and Substantial Shareholders — Service Contracts" in Appendix VI to this Document;

(g) the written consents referred to in "Other Information — Consents of Experts" in Appendix VI to this Document;

(h) the legal opinions prepared by Grandall Law Firm (Shanghai), our legal advisor as to PRC law, in respect of the general matters and property interests of our Group;

(i) the Company Law, the Mandatory Provisions and the Special Regulations together with their unofficial English translations; and

(j) the industry report issued by Frost & Sullivan, the summary of which is set forth in the section entitled "Industry Overview".