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海通恆信國際融資租賃股份有限公司

Haitong Unitrust International Financial Leasing Co., Ltd.

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

(Stock Code: 1905)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2020

The board of directors (the “**Board**”) of Haitong Unitrust International Financial Leasing Co., Ltd. (the “**Company**”) hereby announces the unaudited interim results of the Company and its subsidiaries for the six months ended June 30, 2020. The Audit Committee of the Board of the Company has reviewed the interim results. This announcement complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcement of interim results. The printed version of the Company’s 2020 interim report will be dispatched to the shareholders of the Company in due course and available for viewing on the websites of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and of the Company at www.utfinancing.com.

By order of the Board

Haitong Unitrust International Financial Leasing Co., Ltd.

DING Xueqing

Chairman

Hong Kong, August 28, 2020

As at the date of this announcement, the Chairman and executive Director of the Company is Mr. DING Xueqing; the executive Director is Ms. ZHOU Jianli; the non-executive Directors are Mr. REN Peng, Ms. HA Erman, Mr. LI Chuan, Mr. WU Shukun and Mr. ZHANG Shaohua; and the independent non-executive Directors are Mr. JIANG Yulin, Mr. YAO Feng, Mr. YO Shin, Mr. ZENG Qingsheng, Mr. WU Yat Wai and Mr. YAN Lixin.

CONTENTS

Company Profile	2
Corporate Information	3
Financial Summary	5
Chairman's Statement	9
Management Discussion and Analysis	12
Other Information	56
Definitions	62
Glossary of Technical Terms	65
Report on Review of Condensed Consolidated Financial Statements	66



Company Profile

The Group is a large and steadily growing financial leasing company in China. As the sole leasing platform and one of the key strategic segments of Haitong Securities, a leading securities firm in China, the Company offers customer-oriented and comprehensive financial services to a diverse group of customers across various industries by leveraging the investment banking expertise of the senior management of the Company. The Company strives to become the financial leasing company that leads industry innovation and boasts competitive edges in the capital market.

The Group has been adhering to its role as a financial service provider of the real economy and has been grasping favorable opportunities arising from the major transformation of economy of China for many years. The Group has also pursued the operating strategies of “cross-border thinking, promoting innovative development, strengthening our capacity and grasping business opportunities”. Based on its customer strategy of maintaining a balanced customer base, the Group has provided tailored services to a wide range of customers, including LMEs, MSE & retail customers. We have continued to provide comprehensive financial services to customers in transportation & logistics, industrial sector, infrastructure, construction, health care and other basic areas by implementing the best practices of investment banking and strengthening the collaboration with our parent company, financial institutions and industry alliance partners. We have formed a competitive advantage with unique securities firm characteristics, including coordinated allocation of resources and assets and balanced growth of business scale and income.

Our headquarters is located in Shanghai and operates six specialized business departments, namely Public Services Department, Information and Environmental Protection Department, Construction Department, Advanced Manufacturing and Institutional Development Department, Health Care Business Department and MSE Business Department. We have also established 17 branches. Our branch network also encompasses 11 directly-held subsidiaries in areas including Hong Kong, Tianjin, Shandong, Hebei, Jiangxi and Shanghai. Through implementing a “One Body, Two Wings” development strategy, we have expanded the geographical and customer coverage of our domestic and overseas business. As such, our local teams have been able to develop expertise that is most pertinent to the local market environments.

On June 3, 2019, the Company was successfully listed on the Main Board of the Hong Kong Stock Exchange and was the first listed securities-affiliated financial leasing company in China.

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. DING Xueqing (Chairman of the Board)

Ms. ZHOU Jianli

Non-executive Directors

Mr. REN Peng

Ms. HA Erman

Mr. LI Chuan

Mr. WU Shukun

Mr. ZHANG Shaohua

Independent non-executive Directors

Mr. JIANG Yulin

Mr. YAO Feng

Mr. YO Shin

Mr. ZENG Qingsheng

Mr. WU Yat Wai

Mr. YAN Lixin

AUDIT COMMITTEE OF THE BOARD

Mr. ZENG Qingsheng (Chairman)

Mr. ZHANG Shaohua

Mr. YO Shin

NOMINATION COMMITTEE OF THE BOARD

Mr. REN Peng (Chairman)

Mr. JIANG Yulin

Mr. WU Yat Wai

REMUNERATION AND EVALUATION COMMITTEE OF THE BOARD

Mr. JIANG Yulin (Chairman)

Mr. YAO Feng

Mr. WU Shukun

Mr. YO Shin

RISK MANAGEMENT COMMITTEE OF THE BOARD

Mr. YO Shin (Chairman)

Mr. DING Xueqing

Mr. ZHANG Shaohua

Mr. YAN Lixin

BOARD OF SUPERVISORS

Ms. ZHOU Tao (Chairman)

Ms. ZHAO Yue

Mr. CHEN Xinji

JOINT COMPANY SECRETARIES

Mr. FU Da

Ms. SO Shuk Yi Betty (ACIS, ACS)

AUTHORIZED REPRESENTATIVES

Mr. DING Xueqing

Ms. SO Shuk Yi Betty (ACIS, ACS)

Corporate Information

LEGAL ADVISORS

as to Hong Kong law

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

as to PRC law

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

AUDITOR

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

COMPLIANCE ADVISOR

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71 Des Voeux Road Central
Hong Kong

H SHARE REGISTRAR

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

REGISTERED ADDRESS

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HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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248 Queen's Road East
Wanchai
Hong Kong

COMPANY'S WEBSITE

<http://www.utfinancing.com>

STOCK CODE

1905

LISTING DATE

June 3, 2019

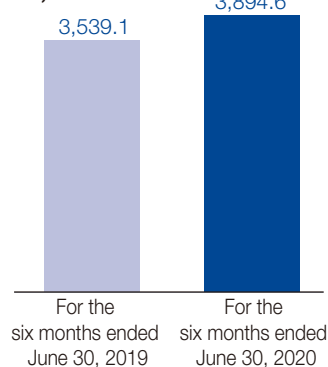
Financial Summary

For the six months ended June 30, 2020

Total revenue

RMB in millions

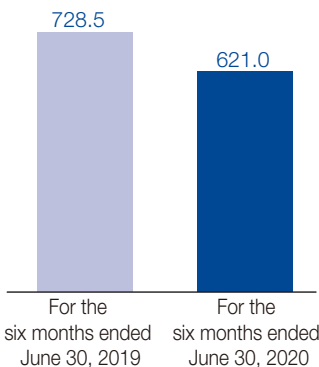
3,894.6



Profit for the period

RMB in millions

621.0



Basic earnings per share

RMB in yuan/share

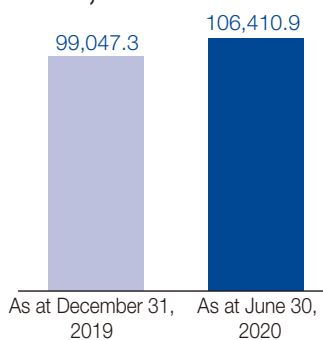
0.07

As at June 30, 2020

Total assets

RMB in millions

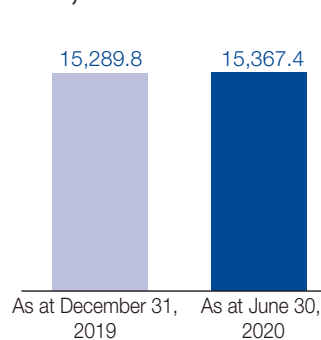
106,410.9



Total equity

RMB in millions

15,367.4



Net assets per share

RMB in yuan/share

1.72

Net interest margin

For the six months ended June 30
2019 2020

3.24% 3.13%

Average yield of interest-earning assets

For the six months ended June 30
2019 2020

7.32% 7.09%

Net interest spread

For the six months ended June 30
2019 2020

2.71% 2.70%

Weighted average return on net assets

For the six months ended
June 30, 2020

8.18%

Asset-liability ratio

As at June 30, 2020

85.56%

NPA ratio

As at June 30, 2020

1.18%

Financial Summary

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	For the six months ended June 30,		
	2020	2019	Changes
	(RMB in millions, except percentages)		
Total revenue	3,894.6	3,539.1	10.0%
Total revenue and other income, gains or losses	4,113.9	3,653.5	12.6%
Interest expenses	(1,825.3)	(1,597.5)	14.3%
Total expenses	(3,300.9)	(2,676.2)	23.3%
Profit before income tax	813.0	977.3	(16.8%)
Income tax expenses	(192.0)	(248.8)	(22.8%)
Profit for the period	621.0	728.5	(14.8%)
Earnings per share attributable to Ordinary shareholders of the Company (RMB yuan/share)			
— Basic	0.07	0.09	
— Diluted	N/A	0.09	
Profitability indicators			
Return on average assets ⁽¹⁾	1.21%	1.69%	
Weighted average return on net assets ⁽²⁾	8.18%	11.38%	
Cost-to-income ratio ⁽³⁾	10.97%	10.43%	
Profit margin before tax and provision ⁽⁴⁾	44.29%	43.76%	
Net profit margin ⁽⁵⁾	15.94%	20.59%	
Profitability indicators of assets			
Average yield of interest-earning assets ⁽⁶⁾	7.09%	7.32%	
Of which: finance lease business ⁽⁷⁾	7.37%	7.56%	
Average cost of interest-bearing liabilities ⁽⁸⁾	4.39%	4.61%	
Net interest spread ⁽⁹⁾	2.70%	2.71%	
Net interest margin ⁽¹⁰⁾	3.13%	3.24%	

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	As at June 30, 2020	As at December 31, 2019	Changes
	(RMB in millions, except percentages)		
Non-current assets	51,458.1	47,897.8	7.4%
Receivables from finance lease business ^(note)	38,881.0	37,934.9	2.5%
Property and equipment	7,796.0	4,730.0	64.8%
Current assets	54,952.8	51,149.5	7.4%
Receivables from finance lease business ^(note)	39,443.0	36,950.4	6.7%
Total assets	106,410.9	99,047.3	7.4%
Current liabilities	51,140.0	46,183.7	10.7%
Borrowings	24,308.9	19,660.8	23.6%
Bonds payable	20,315.3	20,114.2	1.0%
Total equity	15,367.4	15,289.8	0.5%
Equity attributable to owners of the Company			
— Ordinary shareholders	14,124.2	14,035.9	0.6%
— Other equity instrument holders	1,211.9	1,237.2	(2.0%)
Non-controlling interests	31.3	16.7	87.4%
Non-current liabilities	39,903.5	37,573.8	6.2%
Borrowings	21,012.6	18,096.4	16.1%
Bonds payable	10,584.4	11,332.8	(6.6%)
Net assets per share (RMB Yuan/share)	1.72	1.70	
Liquidity indicators			
Asset-liability ratio ⁽¹¹⁾	85.56%	84.56%	
Gearing ratio ⁽¹²⁾	495.99%	452.62%	
Asset quality indicators			
NPA ratio ⁽¹³⁾	1.18%	1.08%	
Allowance coverage ratio for NPAs ⁽¹⁴⁾	281.48%	265.19%	

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

Financial Summary

- (1) Calculated by dividing profit for the period by the average balance of total assets at the beginning of the period and the end of the period on an annualized basis.
- (2) Profit for the period attributable to ordinary shareholders/(equity attributable to ordinary shareholders at the beginning of the period + profit for the period attributable to ordinary shareholders/2 + the addition of total equity attributable to ordinary shareholders arising from issuance of new shares or conversion of debt into equity during the reporting period * the number of months from the next month immediately after the addition of total equity to the end of the reporting period/number of months during the reporting period – the reduction of total equity attributable to ordinary shareholders arising from repurchase of shares or dividend distribution during the reporting period* the number of months from the next month immediately after the reduction of total equity to the end of the reporting period/number of months during the reporting period) on an annualized basis.
- (3) Calculated by dividing the sum of depreciation and amortization (excluding depreciation and amortization of aircraft held for operating lease business), staff costs and other operating expenses by the total revenue and other income, gains or losses.
- (4) Calculated by dividing profit before income tax and provision for the period by the total revenue.
- (5) Calculated by dividing profit for the period by the total revenue.
- (6) Calculated by dividing interest income by the average balance of interest-earning assets on an annualized basis. Interest income is the sum of (i) income from finance lease business, (ii) factoring interest income, and (iii) entrusted loan and other loan interest income. Interest-earning assets consist of receivables from finance lease business, factoring receivables, entrusted loans and other loans. Average balances are calculated based on balances as at the end of last year and the end of the current period. In this Report, the balances of interest-earning assets used in such calculation represent the balance of receivables from finance lease business, factoring receivables and entrusted loans and other loans before deduction of allowances for impairment losses.
- (7) Calculated by dividing income from finance lease business by the average balance of receivables from finance lease business on an annualized basis. The average balance of receivables from finance lease business represents the average balance of receivables from finance lease business before deduction of allowances for impairment losses as at the end of last year and the end of the current period.
- (8) Calculated by dividing interest expenses by the average balance of interest-bearing liabilities on an annualized basis. Interest-bearing liabilities consist of borrowings, bonds payable, business deposits and notes payable, excluding the interest-bearing liabilities related to operating leasing business. Average balances are calculated based on balances as at the end of last year and the end of the current period. The balances of borrowings and bonds payable used in such calculation represent the outstanding principal amounts of such borrowings and bonds payable.
- (9) Calculated as per the difference between the average yield of interest-earning assets and the average cost of interest-bearing liabilities (excluding operating leasing business).
- (10) Calculated by dividing net interest income (excluding operating leasing business) by the average balance of interest-earning assets based on an annualized basis. The average balance was calculated based on balances as at the end of last year and the end of the current period.
- (11) Calculated by dividing total liabilities by total assets.
- (12) Calculated by dividing total debt by total equity. The total debt consisted of borrowings and bonds payable.
- (13) Represented the percentage of NPAs in the balance of interest-earning assets before deduction of allowances for impairment losses.
- (14) Calculated by dividing allowances for impairment losses of interest-earning assets by the balance of non-performing interest-earning assets.

Chairman's Statement

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Ding Xueqing
*Chairman and
Executive Director*



In the first half of 2020, the global and domestic economic and social situations remained complicated. The outbreak of the novel coronavirus ("COVID-19" or "COVID-19 pandemic") has brought serious challenges to the global economy, resulting in growing uncertainties and instabilities. In response to such challenges, we strictly adhered to our strategies to promote our business development with focus on providing leasing services and serving the real economy while taking measures to support the prevention and control of the COVID-19 pandemic. We have been devoted to making contribution to economic and social stability and COVID-19 prevention by leveraging on our financial strengths. Great efforts have been made in promoting high quality development of the Company to ensure sustainable development and stable income.

In the first half of 2020, we made efforts in coping with the considerable challenges brought by COVID-19, increasingly intense competition in the industry and increasing credit

risk. We have achieved good results in terms of stable profitability, overall growth, risk control, business expansion and financing guarantee. First, we managed to achieve a stable growth in revenue as we orderly arranged the resumption of work and business. In the first half of 2020, our total revenue amounted to RMB3,894.6 million, representing an increase of 10.0% compared with the same period last year. Secondly, in the first half of 2020, our profit for the period amounted to RMB621.0 million, representing a decrease of 14.8% compared with the same period last year. The slight decrease in profit was mainly attributable to the fact that we strived to support the customers who were affected by the COVID-19 pandemic to weather through the tough times and we adopted prudent assessment and recorded higher impairment losses under expected credit loss model, resulting in higher risk prevention capabilities. Thirdly, we recorded a steady growth in asset and capital. As at June 30, 2020, our total assets amounted to RMB106,410.9 million, representing an increase of 7.4%

Chairman's Statement

as compared with December 31, 2019. Our total equity slightly increased as compared with December 31, 2019 and amounted to RMB15,367.4 million. Fourthly, our asset quality remained stable and our risk prevention capabilities were strong. As at June 30, 2020, our non-performing ratio and allowance coverage ratio for NPAs was 1.18% and 281.48% respectively. Fifthly, we steadily expanded our business and further optimized our asset structure. In the first half of 2020, the Group invested RMB29,960 million in its business, including investments in retail business and institutional business of RMB14,986 million and RMB14,974 million, respectively. Lastly, we safeguarded our sources of capital and maintained the balance of capital and assets. Our financing costs recorded a steady decrease. In the first half of 2020, the Group proactively grasped opportunities in the capital markets and recorded a financial withdrawal of RMB27,676 million, including direct financial withdrawal of RMB11,673 million, accounting for 42.2% of the total amount. The average cost of interest-bearing liabilities was 4.39%.

Against the challenging backdrop, we put great efforts in gaining our internal strengths and enhancing our resilience to withstand the economic cycle and lay a solid foundation for sustainable development. In the first half of 2020, we further enhanced our corporate governance and operation management. We completed the composition and establishment of the second session of the Board and the Board of Supervisors in May 2020, in order to ensure the continuous and stable operation of corporate governance system of the Company. Based on the party organization structure, we strictly complied with the party policies in every aspect, such as optimizing brand building, consolidating party unit establishment and strengthening local promotion. These efforts allowed the Company to lay a solid structural foundation for its healthy development. We have conducted in-depth research on market and business opportunities which might arise after the outbreak of COVID-19 and optimized our industrial and asset structure as well as our

organizational structure. Information and Environmental Protection Department and Advanced Manufacturing and Institutional Development Department have been established to improve the supporting and management functions of the Company. Fin-tech strategies have been in place to enhance the efficiency of overall working procedures and effectiveness of management. We also further optimized our comprehensive risk management and internal control mechanisms. Through effective whole-process risk management and control, our risk monitoring capabilities were enhanced and we were able to investigate and mitigate risks comprehensively. We have been adhering to the bottom line of risks prevention and compliance and have improved our compliance governance through paying close attention to the changes in regulatory policies and taking active measures in compliance with regulatory requirements to ensure that all regulatory requirements have been fulfilled.

In addition to improving our management and maintaining stable operation results, we also strived to perform our social responsibilities as a business enterprise and serve the real economy and provide financing services to middle- and small-sized enterprises. We established positive enterprise image by supporting the healthy economic, social and environmental development. Attributable to our comprehensive and effective measures on the prevention and control of the COVID-19 pandemic, there was no case of COVID-19 among our employees. During the outbreak of COVID-19, in response to the social needs, we opened the “Green Channel” to provide effective services and specialized financial support to companies and individuals on the front-line in prevention and control of the COVID-19 pandemic. Aiming to overcome difficulties together with our customers, we formulated a policy on rental payment extension and supported reputable customers to cope with short-term difficulties. We also donated RMB3 million to regions severely affected by COVID-19 and organized staff donations of approximately RMB420,000, so as to contribute to combat COVID-19.

The financial leasing industry in China is currently facing both opportunities and challenges and the leasing market still has huge potential as there are new leasing markets and segments to be explored. In addition, as a large-scaled and professional leading leasing company with considerable resources, our development benefits from the increasingly centralized regulation on, and orderly development of, the leasing industry and high industry concentration. In the second half of 2020, we will continue to take routine measures on prevention and control of the COVID-19 pandemic and promote business development. We will also pay close attention to the development and continue to serve the real economy with a focus on industries with competitive advantages. We will formulate plan to grasp market opportunities which might arise after the outbreak of COVID-19 and optimize and integrate internal and external resources. We will deepen the application of fin-tech to gain development advantages and promote stable and high quality development of the Company, so as to become a financial leasing company that leads industry innovation and boasts competitive edges in the capital market.

On behalf of the Board, I would like to express my sincere gratitude to our shareholders, customers, partners and other stakeholders for their trust, understanding and support. Through overcoming difficulties and working together, we will be able to create win-win situation and share achievements and create diversified and high value for our shareholders and employees as well as the stable social and economic development.

DING Xueqing

Chairman and executive Director

August 28, 2020

Management Discussion and Analysis

OPERATION OVERVIEW

Macroeconomy

In the first half of 2020, as affected by the COVID-19 pandemic, countries around the world experienced stagnant production, lackluster consumption and dampened trading. In the face of the increasing risk of global economic downturn and continuous international economic and trade frictions, quantitative easing was adopted in global fiscal and monetary policies with less room for maneuver. Coupled with the rising volatility of the financial market and the disruption of the international industry and supply chains, globalization also faced unprecedented challenges. The combined effect of various uncertainties further weakened the fragile global economy.

Since the COVID-19 outbreak, the Chinese government has promptly implemented targeted comprehensive measures to organize and promote pandemic prevention and control as well as economic and social development. With efficient and remarkable results in pandemic prevention and control in China, work and production have gradually resumed and the overall economic and social situation has remained stable. Although the Chinese economy was seriously impacted by COVID-19, the production and day-to-day life in China has been already restored. The economy has been improving and has resumed growth recently. In the long run, benefiting from positive factors including new development principles of China, government initiatives of “Six Supports” and “Six Stabilizations”, solid economic foundation gained through long-term development, vast potential domestic market demand and new economic drivers against the existing downward trend, China will maintain its resilient economic development under an overall recovering trend.

In the first half of 2020, the GDP of China showed a year-on-year decline of 1.6%. On a quarter-on-quarter basis, the GDP decreased by 6.8% in the first quarter of 2020 and increased by 3.2% in the second quarter of 2020. In terms of industries, the output growth of the primary, secondary and tertiary industries recorded a year-on-year increase of 0.9%, a year-on-year decrease of 1.9% and a year-on-year decrease of 1.6%, respectively. The output growth of major manufacturing sectors recorded a year-on-year decrease of 1.3%. The output growth of high-tech manufacturing industry and equipment manufacturing industry recorded year-on-year increases of 4.5% and 0.4%, respectively. The yield of certain engineering machinery products enjoyed faster growth. In the first half of 2020, demand for investment, consumption and export diminished but improved gradually. In respect of investment, the overall investment activities were lagging. Fixed-asset investment in China amounted to RMB28.16 trillion, representing a year-on-year decrease of 3.1%. The growth of investment in manufacturing and infrastructure recorded year-on-year decreases of 11.7% and 2.7%, respectively. The growth of investment in high-tech industries recorded a year-on-year increase of 5.8%. In respect of consumption, the total retail sales of consumer goods in China amounted to RMB17.23 trillion, representing a year-on-year decrease of 11.4%. With strong recovery of consumption and accelerated development of online consumption after COVID-19, online retail sales recorded a year-on-year increase of 7.3%. In respect of international trade, the total volume of imports and exports in the first half of 2020 amounted to RMB14.24 trillion, representing a year-on-year decrease of 3.2%. The total volume of imports and exports in June recorded a year-on-year increase of 5.1%, reflecting a better-than-expected recovery. The trade market became increasingly diversified. The total volume of China's imports from and exports to ASEAN recorded a year-on-year increase of 5.6% and ASEAN became the largest trade partner of China. The total volume of China's imports from and exports to

Management Discussion and Analysis

countries covered in the Belt and Road Initiative slightly decreased by 0.9%, while the total volume of China's imports from and exports to the European Union and United States decreased by 1.8% and 6.6%, respectively. Import and export volume of private enterprises increased against the trend with a year-on-year increase of 4.9%, accounting for 45.1% of the total value of foreign trade, which played a prominent role in maintaining growth of foreign trade.

In respect of the financial environment, in the first half of 2020, the Chinese financial system continued to strengthen its support for pandemic prevention and control as well as economic and social development. The prudent monetary policies became more flexible and moderate. Various measures such as increasing credit support, reducing financing cost and strengthening targeted relief were taken. The effectiveness of the counter-cyclical adjustments was improved, while liquidity remained reasonable and adequate. Financing conditions continued to optimize, which effectively reduced social financing cost. As at June 30, 2020, the balance of broad money (the "M2") amounted to RMB213.49 trillion, representing a year-on-year increase of 11.1%, which was 2.6 percentage points higher than the same period last year. The scale of social financing has significantly recovered. In the first half of 2020, the amount of new social financing amounted to RMB20.83 trillion, representing a year-on-year increase of RMB6.22 trillion. China continued to deepen its LPR reform. As at the end of June 2020, one-year LPR and five-year LPR were 3.85% and 4.65%, representing decreases of 30 basis points and 15 basis points as compared with the beginning of 2020, respectively.

Regulatory Environment

In the first half of 2020, the CBIRC and the Shanghai government issued certain important provisions relating to the supervision and administration of financial leasing enterprises, reflecting the regulation stance of "strengthening supervision and administration, standardizing business operations, preventing and mitigating risks, and facilitating industry development". The CBIRC officially issued the "Provisional Measures for the Supervision and Administration of Financial Leasing Companies" (《融資租賃公司監督管理暫行辦法》), its first systematic regulatory document for financial leasing companies since its take-over of regulation of financial leasing companies. The document guides financial leasing companies on promoting the development of equipment manufacturing industry, upgrade of enterprise technology and equipment import and export, and providing better services for the real economy. On April 10, 2020, the Standing Committee of the Shanghai Municipal People's Congress approved the "Shanghai Municipal Regulation on Local Financial Supervision and Administration" (《上海市地方金融監督管理條例》), which clearly classifies financial leasing companies as local financial organizations, and specifies the code of conduct and regulatory measures for financial leasing companies. On April 22, 2020, the Shanghai Municipal Financial Regulatory Bureau issued the "Shanghai Municipal Regulatory Guidelines on Regulatory Rating and Classification of Financial Leasing Companies and Commercial Factoring Companies" (《上海市融資租賃公司、商業保理公司監管評級與分類監管指引》), which specifies rating criteria based on regulatory requirements in order to provide more concrete guidelines for financial leasing companies. The introduction of these policies helped to strengthen the operation of financial leasing companies according to laws and regulations, the prevention of financial risks and promote the standardization of the industry.

Management Discussion and Analysis

Industry Conditions

In the first half of 2020, as affected by the COVID-19 pandemic, recession of the macroeconomy, tightening corporate risk control and other factors, the growth of the leasing industry continued to slacken. As at the end of June 2020, the total number of finance leasing companies in China (excluding single project companies, branches, subsidiaries and companies acquired overseas (including certain enterprises listed as inaccessible or having abnormal operation)) was 12,151, representing an increase of 21, or 0.17%, as compared to 12,130 as at the end of 2019. The balance of financial lease contracts in China amounted to approximately RMB6,455.0 billion, representing a decrease of 2.99% as compared to the end of 2019.

Benefiting from the economic growth, industrial structure upgrade and new infrastructure construction in China, the financial leasing industry in China is still growing stably with huge potential for the development of new markets and new segments and remains resilient in the medium- to long-run. With the implementation of centralized regulation of the industry, the leasing industry will enter a new stage of long-term stable and orderly development. Financial leasing companies with abnormal operation or low development capacity will be integrated or eliminated. Rising industry concentration has provided a favorable environment and greater opportunities for large finance leasing companies with regulated management and strong resources, like the Company.

Stricken by COVID-19, the capital chain and supply chain of SMEs and related industries have faced challenges. The operation and profitability of enterprises have been adversely affected. As a result, the overall development of the leasing industry is facing serious challenges, such as slowdown or even short-term shrinkage of the market, more vigorous homogeneous competition in the industry, greater pressure for asset quality and risk control, and need for adjustment of operating strategies and business models.

DEVELOPMENT REVIEW

In the first half of 2020, the Group has put great efforts in coping with challenges brought by COVID-19 and promoting its business development while taking measures to support the prevention and control of COVID-19. The Group focused on providing leasing services and serving the real economy and has been devoted to making contribution to economic and social stability and pandemic prevention. Great efforts have been made in promoting high quality development of the Company to ensure its sustainable growth and stable income.

Actively taking up corporate social responsibilities and financially supporting the precautionary measures against COVID-19

After the outbreak of COVID-19, the Company immediately started an integrated response mechanism to combat against the pandemic. With the safety and health of our employees as our top priority, the Company efficiently mobilized employees all over China to formulate and strictly implement COVID-19 prevention measures, including postponement of onsite duties, returning to Shanghai for quarantine, resumption of work by shift, consolidation of employee information, procurement of COVID-19 prevention materials and promotion of COVID-19 prevention knowledge. These measures resulted in effective prevention and control with zero infection among our employees.

In order to support the regions stricken by COVID-19, the Company donated RMB3 million to Wuhan upon approval of the Board. In addition, the Company organized employee charity activities and raised a total of approximately RMB420,000 from employees, which was promptly remitted to “Haitong Charity Fund” (海通公益專項基金) to facilitate centralized donation allocation. In addition, the Company also took part in the charity activity for donating sympathy gifts and precautionary supplies to frontline workers who were fighting against COVID-19 in Huangpu District.

In the first half of 2020, in response to COVID-19, the Company launched specific customer services and supporting policies to assist MSEs, automobiles and logistics sectors, manufactures of precautionary materials, enterprises and individuals fighting against COVID-19 on the frontline and other customers to weather through the tough times. These policies are as follows: (1) the Company introduced extension of repayment, repayment of interest instead of principal, reduction of penalty interests and handling fees and other supporting policies for medium-, small- and micro-sized enterprises and individual customers of the transportation & logistics sector who were severely affected by COVID-19 and fulfilled various criteria, such as having no outstanding payment or participating directly in precautionary activities. These policies allowed customers of good credit standing to overcome short-term difficulties; (2) in response to government policies, the Company duly adjusted its profit expectation from the real economy and lowered the interest rate and service charges for customers in an effort to support the sustainable operation and development of MSEs; (3) the loan approval channel, “Green Channel” (綠色通道), was launched for customers who were combating COVID-19 on the frontline in order to meet their financing needs in the shortest period of time; (4) remote online business processing and customer services were introduced to maintain service efficiency and stability.

Management Discussion and Analysis

Maintaining stable growth and profitability by coping with challenges brought by COVID-19

In the first half of 2020, the Group thoughtfully assessed and analyzed the prevailing situation and made prompt responses. The Group continued to maintain sound and stable development and achieve steady growth. Through taking effective measures to reduce the impact of COVID-19 and arranging resumption of production and business operation orderly, the Group managed to maintain the stability of its assets, capital, income and profitability. As at June 30, 2020, the total assets and total equity of the Group amounted to RMB106,410.9 million and RMB15,367.4 million, respectively, representing an increase of 7.4% and 0.5%, respectively, as compared with December 31, 2019. In the first half of 2020, the total revenue of the Group amounted to RMB3,894.6 million, representing an increase of 10.0% compared with the same period last year. The average yield of interest-earning assets was 7.09%. The profit for the period of the Group amounted to RMB621.0 million, representing a decrease of 14.8% compared with the same period last year. The weighted average return on net assets was 8.18%.

Serving the real economy and improving investments in business through structure optimization

Adhering to its objective of serving the real economy and strictly implementing its strategies of “One Body, Two Wings” and “one big and one small”, the Group put efforts in developing localized segments and further optimized its assets and investment structure. In order to support high-quality MSEs & retail customers, the Group focused on the development of business related to transportation & logistics, advanced manufacturing, infrastructure and other key sectors. The strategic target of the Company was mainly on “high-quality” development. The Group has paid close attention to changes in overall economy and industry and grasped opportunities in the market arising after the outbreak of COVID-19. Through promoting the development of localized business segments and improving the allocation of assets among industries, the Group achieved a breakthrough in terms of investments in business. In the first half of 2020, the Group put great efforts in minimizing the impact of the pandemic by restructuring its assets and increasing its investments in industries with higher risk resistibility. The Group invested RMB29,960 million in its business, representing an increase of 9.6% compared with the same period last year, including investments in retail business and institutional business of RMB14,986 million and RMB14,974 million, respectively, achieving a balanced development between SMEs and LMEs.

Developing diversified financing channels and tools and maintaining the balance of assets and liabilities structure

The Group continued to develop diversified and stable financing channels and tools to effectively safeguard the sources of capital. Through improving the management of liquidity risk and liabilities structure, the Group was able to balance its financing and business and the duration of assets and liabilities. As at June 30, 2020, the Group established credit relationships with 69 financial institutions and signed accumulative credit lines of approximately RMB100.4 billion, of which the unused credit balance was approximately RMB41.3 billion. In addition, the Group continued to explore innovative financing channels to meet its development needs. For example, the Group issued the first asset-backed notes for listed companies for the purpose of the prevention and control of COVID-19.

In the first half of 2020, leveraging on its increasingly optimized financing conditions, the Group recorded a financing withdrawal of RMB27.676 billion. Indirect financing withdrawals of RMB16.003 billion were realized through channels such

as syndicated loans and bank acceptance bills, accounting for 57.8% of the total financing amount; direct financing of RMB11.673 billion were realized through issuance of ABS of RMB6.023 billion, ultra short-term financing bonds of RMB3 billion, asset-backed notes of RMB950 million and private equity corporate bonds of RMB1.7 billion, accounting for 42.2% of the total financing amount. With diversified financing channels, the financing cost of the Company continued to decrease. In the first half of 2020, average cost of interest-bearing liabilities of the Company was 4.39%, representing a decrease of 22 basis points as compared with the same period last year.

Strengthening risk resistibility through improving comprehensive risk management system

The Group continued to improve its comprehensive risk management system, adjusted its risk management strategies in a timely manner, implemented proactive risk management, embedded various risk management into its business operations and promoted a deeper integration of big data and risk models with the approval system to further enhance its risk identification and quantitative risk management capabilities. In addition, the Group strengthened its risk prevention and handling capabilities through forward-looking asset allocation management, proactive response to risk events and increased efforts in asset disposals. The Group enhanced the risk prevention ability of new businesses. The emphasis of the support was placed on the introduction of projects in sectors of higher risk tolerance, such as infrastructure, utilities and construction. Greater support was given to higher-level customers in the 5G, information technology, medical and advanced manufacturing sectors. The Group also investigated and prudently assessed the impact of the pandemic on its assets quality in a timely manner and increased its allowance to enhance its risk resistibility. Benefiting from the combined effect of comprehensive risk management, during the Reporting Period, the overall asset quality of the Group remained stable and the NPA ratio was maintained in a safe and controllable level with stronger risk resistibility. As at June 30, 2020, the NPA ratio and allowance coverage ratio for NPAs was 1.18% and 281.48%, respectively.

Strengthening compliance management of all employees and continuous improving the compliance system and culture cultivation

The Group continued to adhere to its compliance concept of “compliance in operation and of all employees and the management, as compliance is vital for creation of value and fundamental for existence”. The compliance management was strengthened in various aspects such as improvement of systems and regulations and supervision of implementation of systems to enhance its compliance governance. In the first half of 2020, the Group continued to attach high importance to regulatory policies and proactively took measures to be in compliance with regulatory requirements. The Group also optimized the system management mechanism to strengthen the integration of business and policies in accordance with its business development. The Group also strengthened trainings of basic compliance knowledge to further cultivate a compliance culture, and compliance awareness among all employees was improved. Through continuous measures such as compliance inspections, the implementation of various systems was supervised and the principal of managing employees and events in accordance with the systems was established.

Management Discussion and Analysis

Streamlining procedures to improve efficiency, putting efforts in raising quality and efficiency and reducing costs

We have conducted in-depth research on market and business opportunities which might arise after the outbreak of pandemic and optimized our industrial and asset structure as well as our organizational structure. Information and Environmental Protection Department and Advanced Manufacturing and Institutional Development Department have been established to improve our specialized management and service capabilities. We continuously optimized internal management and promoted efficient cooperation between front, middle and back office to improve supporting and management functions of the Company. In addition, fin-tech strategies were in place to enhance the efficiency of procedures for, and management of, business expansion, project approval and capital investment and boost our customer services efficiency. We further improved our capital management and cost management to balance the financing and capital investment. We also improved our capital use and reduced interests and other expenses to reduce costs while enhancing our efficiency.

OPERATION OUTLOOK

As the pandemic is expected to linger around the world in the second half of 2020, the global economy will be mired in recession and may hardly rebound in the short term. With rising domestic and international instability and uncertainties, economic development of China faces unprecedented difficulties and challenges. The Chinese government will continue to adopt proactive financial policies and prudent currency policies with added flexibility. The countercyclical regulation function of macro policies continued to play its role. Capitalizing on the synergy of the government initiatives of “Six Stabilizations” and “Six Supports”, measures such as cuts in required reserve ratio and interest rates, tax and surcharge reduction, targeted poverty alleviation and optimization of business environment will facilitate the development of major markets. Enhancement of investment in traditional and new infrastructure will stimulate the upgrade of manufacturing industry and development of emerging industries to expand internal needs. In the long run, China will uphold its new development vision which emphasizes the supply-side structural reform. Leveraging the mutual cooperation between China and the regions along “the Belt and Road” and market potential, China will deepen its reform and opening-up, enhance its innovative capabilities and lead its economic growth pole. These initiatives will enable China to fully pursue quality development of the economy. As the favorable policies of supporting the upgrade of influence, opening-up, market and industry of China remain basically unchanged, the economy of China will continue to be substantially resilient and full of development potential.

In the second half of 2020, the Group will pay close attention to the domestic and international economic conditions and the impacts of the pandemic and continue to adhere to the principle of serving real economy with financial services. Regular precautionary measures and operation development initiatives in response to the pandemic will be coordinated and adopted. The Group will be committed to its development strategies, optimize and integrate internal and external resources, enhance resources allocation and deepen the application of information technology and financial technology. Efforts will be made to embrace challenges and seek opportunities in tough times and steer the direction of business restructuring. The Group will explore new development opportunities and identify the new needs of customers while strengthening its competitive business. The Group will also continue to consolidate its leading position and competitive strengths through the following strategies to promote high-quality and sustainable development of the Company.

Implementation of the “one big and one small” customer development strategy to promote balanced development of assets and income

We will continue to implement “one big and one small” customer development strategy to strengthen the collaboration and cross-selling with Haitong Securities and cooperative partners. We will enhance management of customer resources, refine customer relations and to provide customized and integrated services for LME, MSE and retail customers, so as to facilitate the mutual benefits between large and small enterprises of various industries. These efforts will enable us to have balanced growth in both scale and profitability and achieve credit risk diversification.

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

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

Continue to expand sales and service network by “One Body, Two Wings” business development model and strengthen the collaboration among our business units

We intend to further expand our sales and service network by “One Body, Two Wings” business development model and strengthen the collaboration among our business headquarter, branches and subsidiaries. We will deepen the construction of localized marketing network, strengthen business guidance and establish business teams. Business expansion and customer resources management will be enhanced by capitalizing on the synergy of the “Two Wings” model, so as to support the long-term business growth and breakthroughs of the Group.

Our business headquarters will continue to deepen research in their target industries and customer market and continue to lead our key projects in strategic emerging industries such as IDC, 5G industrial chain, information manufacturing, advanced manufacturing, healthcare and environmental protection. We will conduct research on the trend and logic of industry-related finance, establish professional units, adjust product structure based on the market and industry trend and explore suitable leasing opportunities with stable growth potential.

We will further enhance the sales capabilities of our branches by expanding the branch network to cover the four major municipalities, provincial capitals and other cities in economically-developed regions. We will improve the management structure of our local operations across the country and enhance our operational positioning in regional markets to maintain

Management Discussion and Analysis

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

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

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

Shanghai Dingjie Construction Development Co., Ltd., our subsidiary, will further enhance the entire life cycle management of existing projects, strictly implement the project management standards during each of the stages of investment, financing, construction and operation, and steadily carry out the establishment of various projects with regular precautionary measures in response to the pandemic. Project quality and progress will be stringently monitored. It will draw up funds budget, set reasonable terms for repayment and strictly control withdrawal of funds to ensure project safety and reduce risk of revenue loss. In addition, it will integrate PPP alliance resources effectively, strengthen business expansion, promote collaboration among various business units within the Group and further enrich channels for business expansion.

Deepen the operating concept of investment banks and promote innovative and professionalized business development

By complying with the best practices of investment banking and continuing our in depth research on the market and business condition under the pandemic, we will steer the direction of our business restructuring and seek structural development opportunities arising from the expansion of emerging industries and the upgrade of traditional industries. We will continue to boost our market sensitivity and explore future value of industries with a focus on the optimization of the general operation layout. Our operation is customer-oriented. While developing our major industry businesses, we will continue to provide innovative

Management Discussion and Analysis

products and services based on customer needs by strengthening the collaboration with financial institutions and industry alliance partners and conducting insightful research on new industries and new opportunities in order to enhance the specialized business development and level of differentiation. We will strengthen our service competitiveness and customer loyalty in an effort to expand the revenue sources of the Company. To capture the opportunities in the new infrastructure construction and big data sector, we are actively providing financing services to companies engaged in IDC services. We intend to provide services to financial institutions and government departments in respect of the investment, establishment and maintenance of data centres with high quality. Meanwhile, we will increase our investments in IT, advanced equipment and electronics.

Continuously improve the comprehensive risk management system and strengthen the stable development of compliance

We emphasize risk management in our daily operations and have continued to strengthen our risk management capabilities for all staff in all aspects and procedures. We improve our risk management system with the combined effort of risk management and control, strengthen our asset inspection after the pandemic and enhance our risk control and risk elimination. We strictly maintain our bottom line for risk control to secure assets of the Company. The allocation and management of assets have also been improved.

Based on our risk management target of controlling our risks within an acceptable range and to maximize our income after risk adjustment, we will continue to refine and delineate the functions and responsibilities of Risk Management Committee of the Board, risk management department, credit assessment department, compliance department, internal control departments and other relevant departments to implement centralized management of key processes in our risk management practices. We will take greater initiative in risk management and compliance management, improve governance of risk management and compliance and strictly implement industry regulatory policies and systems. These efforts will help to improve our risk management measures and strengthen our internal control. We will continue to adopt the management approach which combines dynamic control and quantified management. Application of risk model and big data in risk control system will be promoted to further enhance the quantified management of “quantifying and pricing risk”. We also plan to implement differentiated risk management measures according to the characteristics of different businesses, types of customers, industries, regions and risks. We will continue to improve our credit risk management methods and tools, stress testing, risk monitoring system and risk reporting system.

Strengthen finance protection and liquidity management and promote the collaboration between capital and business development

We will pay close attention to the macro financial environment, make efforts to expand our funding sources, steadily reduce financial cost and expand and maintain stable financing channels to support a sustainable growth in our business. We will continue to enhance our net capital, optimize financing structures, match financing capacity with our business and increase the scale of direct financing. On the one hand, we intend to issue various direct financing instruments, including ABS, corporate bonds, short-term commercial papers, ultra-short-term commercial papers, medium-term notes and private placement of bonds. On the other hand, we will maintain flexibility in selecting various new domestic and overseas financing products in accordance with changes in the financing environment and business development needs.

Management Discussion and Analysis

With respect to liquidity management, we will further enhance the development of assets and liabilities management system and refine the internal systems and processes related to assets and liabilities management. Integration between financing plans and capital injection plans will be stepped up. We will also facilitate the efficient collaboration among financing department, business department, commercial department and credit assessment department to ensure that our funds can meet the safety, liquidity and profitability requirements. Dynamic capital management efficiency and make reasonable use of funds will also be promoted. In the meantime, we will actively select the investment channels for our idle funds and increase returns on idle funds within our risk tolerance.

Refine human resources management system and facilitate harmonic and sustainable development

Our experienced and visionary management team and advanced talent management system are important competitive advantages which can ensure our continual growth and essential competitiveness as a leader in the PRC financial leasing industry. Based on the general development strategy of the Company, we will further strengthen our professional teams by recruiting professional talents with international experience, cross-disciplinary knowledge and strong education credentials. We will also strive to strengthen the echelon construction of youth management team and refine management training system to build up a talent pool for our long-term growth. We will also enhance the competitiveness of our remuneration and employee incentive system to attract, retain and motivate top quality talents in the industry to join the Company, which in turn will enhance talent cohesion. We will continue to implement the position system and promotion mechanism comparable to the managing director hierarchy widely adopted by the investment banking industry. Efforts will be made to establish reasonable and unimpeded career development path, optimize performance assessment and incentive system. These initiatives will enable our employees to achieve their career development and benefit from the long-term development of the Company and have a sense of accomplishment and fulfilment.

Enhance the application of IT and fintech and deepen the network and intelligence development of management and services

We will continually promote fintech strategic deployment, increase our investments in IT systems, promote the application of IT and fintech and improve our information systems' scalability, responsiveness and reliability by expanding, improving and upgrading the IT infrastructure. The network, intelligence and remote capacity of our operation management and customer services will be fully improved so as to provide secured, efficient and professional services for our customers. In the meantime, based on the process of new business layout, we will optimize existing systems and develop new systems in a timely manner to meet the demands arising from business system updates, changes in business processes and development of innovative business, which enables us to systematically manage each business process with IT and improve our operations and internal control. In addition, we will strengthen the development of management systems and optimize the internal office procedures. Collaboration among various departments will be promoted to improve the efficiency of our risk management, human resources management, capital management, business management and asset management. As such, our effectiveness and quality of operating management will be further improved generally.

ANALYSIS OF CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Overview of condensed consolidated statement of profit and loss

Our revenue amounted to RMB3,894.6 million for the six months ended June 30, 2020, represented an increase of 10.0% from RMB3,539.1 million for the same period last year. Our profit for the period decreased by 14.8% to RMB621.0 million for the six months ended June 30, 2020 from RMB728.5 million for the same period last year.

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

	For the six months ended June 30,		Changes
	2020	2019	
	(RMB in millions)		
Total revenue	3,894.6	3,539.1	10.0%
Net investment gains or losses	11.8	(27.9)	N/A
Share of results of a joint venture	(6.2)	2.7	(329.6%)
Other income, gains or losses	213.7	139.6	53.1%
Total revenue and other income, gains or losses	4,113.9	3,653.5	12.6%
Depreciation and amortization	(158.9)	(117.1)	35.7%
Staff costs	(308.0)	(276.4)	11.4%
Interest expenses	(1,825.3)	(1,597.5)	14.3%
Other operating expenses	(96.7)	(82.0)	17.9%
Listing expenses	—	(31.8)	(100.0%)
Impairment losses under expected credit loss model	(907.1)	(559.2)	62.2%
Other impairment losses	(4.9)	(12.2)	(59.8%)
Total expenses	(3,300.9)	(2,676.2)	23.3%
Profit before income tax	813.0	977.3	(16.8%)
Income tax expenses	(192.0)	(248.8)	(22.8%)
Profit for the period	621.0	728.5	(14.8%)
Earnings per share attributable to ordinary Shareholders of the Company (Expressed in RMB Yuan per Share)			
— Basic	0.07	0.09	
— Diluted	N/A	0.09	

Management Discussion and Analysis

Revenue

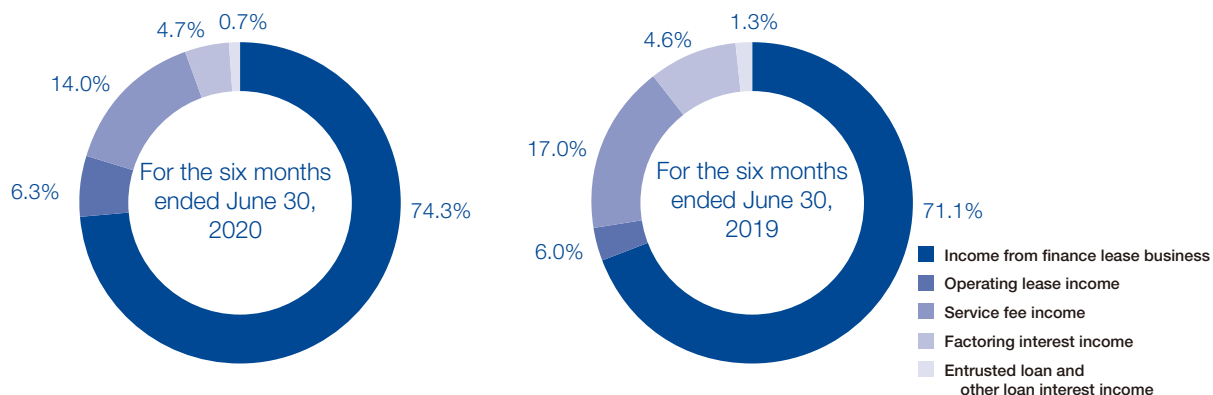
Our revenue increased by 10.0% to RMB3,894.6 million for the six months ended June 30, 2020 from RMB3,539.1 million for the same period last year, which was mainly due to the increases in our income from finance lease business, operating lease income and factoring interest income which were driven by the growth of the overall business scale.

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

	For the six months ended June 30,				
	2020	% of total	2019	% of total	Changes
(RMB in millions, except percentages)					
Income from finance lease business ^(note)	2,891.9	74.3%	2,515.8	71.1%	14.9%
Operating lease income	246.9	6.3%	212.3	6.0%	16.3%
Service fee income	547.1	14.0%	603.2	17.0%	(9.3%)
Factoring interest income	182.0	4.7%	163.4	4.6%	11.4%
Entrusted loan and other loan interest income	26.7	0.7%	44.4	1.3%	(39.9%)
Total revenue	3,894.6	100.0%	3,539.1	100.0%	10.0%

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

Percentage of total revenue



Management Discussion and Analysis

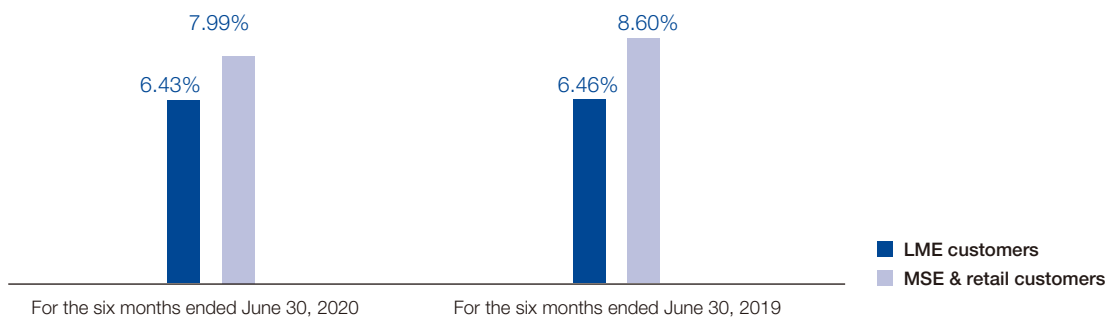
For the six months ended June 30, 2020, income from finance lease business, operating lease income and factoring interest income increased mainly due to the expansion of business scale, while entrusted loan and other loan interest income decreased due to the adoption of prudent business policies.

Customer analysis

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

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

Average yield^(Note)



Noted: Calculated by dividing the sum of income from finance lease business, factoring interest income and entrusted loan and other loan interest income by the average balances of our interest-earning assets on annualized basis.

For the six months ended June 30, 2020, the average yield of the Group was 7.09%, representing a decrease of 0.23 percentage point as compared with 7.32% for the same period last year. The yield of LME customers remained stable. The decrease in average yield was mainly due to the slight decrease in average yield of MSE & retail customers as we duly adjusted our profit expectation from the real economy and put great efforts in supporting MSEs to tide over difficulties during the outbreak of the pandemic this year according to the policy of the government.

Management Discussion and Analysis

Industry analysis

The Group's business widely covers various industries, including transportation & logistics, industrials, infrastructure, construction, healthcare and others. We are committed to serving our customers' diverse needs for financial and advisory services and diversifying our sources of income.

The table below sets out the average balance of interest-earning assets, income and comprehensive yield for different industries.

	For the six months ended June 30,					
	2020			2019		
	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	32,968.9	1,370.7	8.32%	27,677.5	1,257.6	9.09%
Industrials ⁽⁴⁾	20,952.2	1,001.7	9.56%	13,776.7	716.5	10.40%
Infrastructure	7,994.8	293.5	7.34%	10,032.5	362.5	7.23%
Construction	8,792.9	358.7	8.16%	7,470.0	366.1	9.80%
Healthcare	4,107.2	175.0	8.52%	3,586.7	158.3	8.83%
Others ⁽⁵⁾	12,643.3	448.1	7.09%	11,899.3	465.8	7.83%
Total	87,459.3	3,647.7	8.34%	74,442.7	3,326.8	8.94%

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

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

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

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

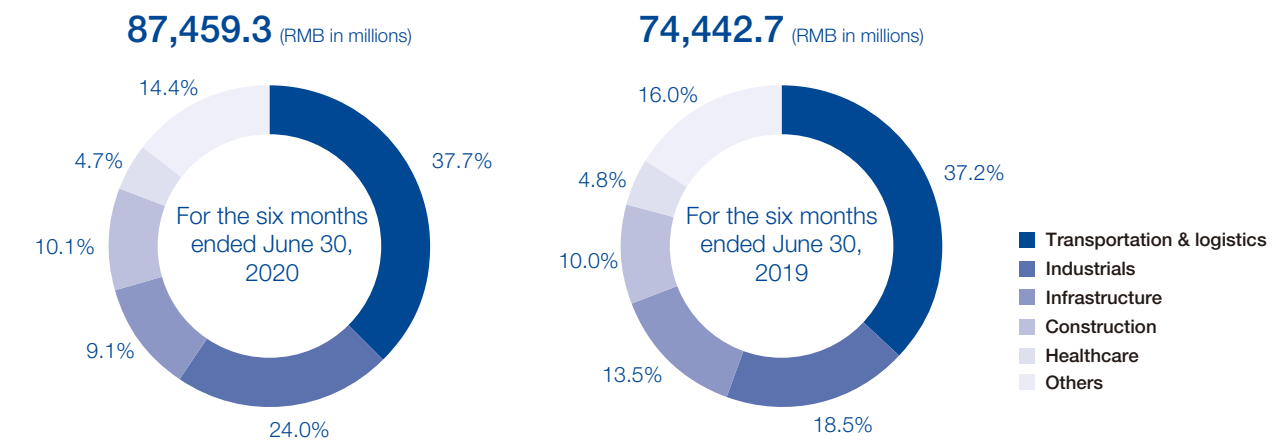
(5) Consists primarily of (i) paper and printing, (ii) agriculture, (iii) food, (iv) mining, (v) wholesale and retail, (vi) chemistry, (vii) education and (viii) textile.

Management Discussion and Analysis

Analysis by average balance of interest-earning assets

The average balance of interest-earning assets of the Group increased by 17.5% to RMB87,459.3 million for the six months ended June 30, 2020 from RMB74,442.7 million for the six months ended June 30, 2019. Remarkable achievements have been made in the promotion of business in industrials, transportation & logistics and construction. The average balance of interest-earning assets for industrials, transportation & logistics and construction increased significantly by 52.1%, 19.1% and 17.7%, respectively, as compared with the same period last year.

Average balance of interest-earning assets



Analysis by comprehensive yield

The comprehensive yield of the Group decreased by 0.60 percentage point to 8.34% for the six months ended June 30, 2020 as compared with 8.94% for the same period last year. The decrease was attributable to the uncertainty of the credibility of companies caused by the pandemic, thus the Group leveled up the customer hierarchy and introduce high-quality customers through offering preferential treatments based on our prudent and proactive risk management approaches. The decrease was also attributable to lower financing costs as the government proactively alleviated burdens on enterprises by maintaining reasonably sufficient market liquidity in view of the impact of the pandemic.

Management Discussion and Analysis

Transportation & logistics

Our transportation & logistics business includes commercial vehicle leasing, passenger vehicle leasing and modern logistics business. (1) We lease commercial vehicles, primarily heavy trucks, to private business owners and MSEs in logistics industry. We strive to provide our customers with faster and more accessible commercial vehicle financing services by using standardized due diligence and credit review processes and standard leasing contracts. We promote our commercial vehicle financial leasing services through our local sales team in 22 provinces across the country. (2) We provide financial leasing for passenger vehicles to retail customers and to corporate customers with financing needs for purchasing passenger vehicles. We market our services through cross-selling with Haitong Securities, our branch network and third party agents. We also market our passenger vehicle financial leasing business through authorized service providers across the country. We enter into agency arrangements with service providers, pursuant to which service providers are responsible for cooperating with local auto dealers and 4S stores to market our financial leasing services to individual automobile customers. In response to changes in automobile sales models, we also cooperated with Internet-based mobile sales and service platforms to increase channels to increase our customers. Moreover, in response to the rapid development of Internet, we have launched our mobile application-based online leasing product since 2015. (3) We provide 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.

Transportation & logistics business continues to grow rapidly. For the six months ended June 30, 2020, the average balance of interest-earning assets attributable to our business in the transportation & logistics industry amounted to RMB32,968.9 million, accounting for 37.7% of the average balance of interest-earning assets of the Group and representing an increase of 19.1% as compared with RMB27,677.5 million for the same period last year.

For the six months ended June 30, 2020, the income from transportation & logistics industry amounted to RMB1,370.7 million, representing an increase of 9.0% as compared with RMB1,257.6 million for the same period last year. The increase in income was mainly due to the rapid recovery of commercial vehicle market in the second quarter and the further increase in the investment in heavy trucks transportation & logistics sectors.

Industrials

We are committed to serving China's real economy in accordance with Chinese government's economic and industrial policies, such as the supply-side structural reform and the "Made in China 2025" initiative. We offer comprehensive financing services for customers in industrials industry to finance their equipment purchases and provide liquidity for their fixed assets. We serve customers across a wide range of industrial sectors, including high-end manufacturing, clean energy, consumer electronics, and communication technologies. We target customers with growth potentials and recognized by capital market and encouraged by government policies. Our industrial customers consist primarily of large- and medium-sized state-owned enterprise at central and local levels, listed companies, and innovative privately-owned enterprises engaging in manufacturing and emerging strategic industries.

Management Discussion and Analysis

For the six months ended June 30, 2020, the average balance of interest-earning assets attributable to our business in the industrials industry amounted to RMB20,952.2 million, accounting for 24.0% of the average balance of interest-earning assets of the Group and representing an increase of 52.1% as compared with RMB13,776.7 million for the same period last year.

For the six months ended June 30, 2020, the income from the industrials industry amounted to RMB1,001.7 million, representing an increase of 39.8% as compared with RMB716.5 million for the same period last year, which was primarily because the Group pursued its aspirations to serve the real economy and enlarged the investment in industrial area such as advanced manufacturing and micro- and small-sized manufacturing, bringing in the growth in business volume.

Infrastructure

We provide financing services to enterprises engaging in the development and operation of conventional and emerging infrastructure of transportation (such as civil aviation, highways, ports, and urban and intercity public transit), urban services, water, environmental protection, energy and big data center. In 2020, under the impact of the pandemic, the government heavily invests in conventional and emerging infrastructure constructions. We have established an extensive and strong customer base in this field. Leveraging on our extensive experience and quality services, we will continue to provide diversified financial solutions for our customers in infrastructure sectors.

We also actively provide financing services to local government-led infrastructure development and operation project participants through the government-social capital cooperation model ("PPP Model"). As PPP Model is used for large infrastructure projects and usually generate stable cash flows over a long term, we plan to provide the project companies and other project participants with financial leasing and factoring services.

For the six months ended June 30, 2020, the average balance of interest-earning assets attributable to our business in the infrastructure industry amounted to RMB7,994.8 million, accounting for 9.1% of the average balance of interest-earning assets of the Group and representing a decrease of 20.3% as compared with RMB10,032.5 million for the same period last year.

For the sixth months ended June 30, 2020, the income from infrastructure industry amounted to RMB293.5 million, representing a decrease of 19.0% as compared with RMB362.5 million for the same period last year.

Construction

We provide financial services to enterprises engaging in the construction of transportation facilities, industrial buildings, residential housing and public service facilities. The equipment we lease to construction customers primarily includes various construction equipment. Our construction enterprise customers are mostly central and localized state-owned enterprises and listed companies with annual revenue of RMB2.0 billion or more, most of which have top-grade or first-grade qualifications for engineering and construction.

Management Discussion and Analysis

For the six months ended June 30, 2020, the average balance of interest-earning assets attributable to our business in the construction industry amounted to RMB8,792.9 million, accounting for 10.1% of the average balance of interest-earning assets of the Group and representing an increase of 17.7% as compared with RMB7,470.0 million for the same period last year.

For the six months ended June 30, 2020, the income from the construction industry amounted to RMB358.7 million, which remained stable as compared with RMB366.1 million for the same period last year.

Healthcare

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

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

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

For the six months ended June 30, 2020, the average balance of interest-earning assets attributable to our business in the healthcare industry amounted to RMB4,107.2 million, accounting for 4.7% of the average balance of interest-earning assets of the Group and representing an increase of 14.5% as compared with RMB3,586.7 million for the same period last year.

For the six months ended June 30, 2020, the income from the healthcare industry amounted to RMB175.0 million, representing an increase of 10.5% as compared with RMB158.3 million for the same period last year, which was primarily due to the increase in investment in business relating to public hospitals and other healthcare providers in response to the government policies and guidance to support the healthcare system to fight against the pandemic.

Management Discussion and Analysis

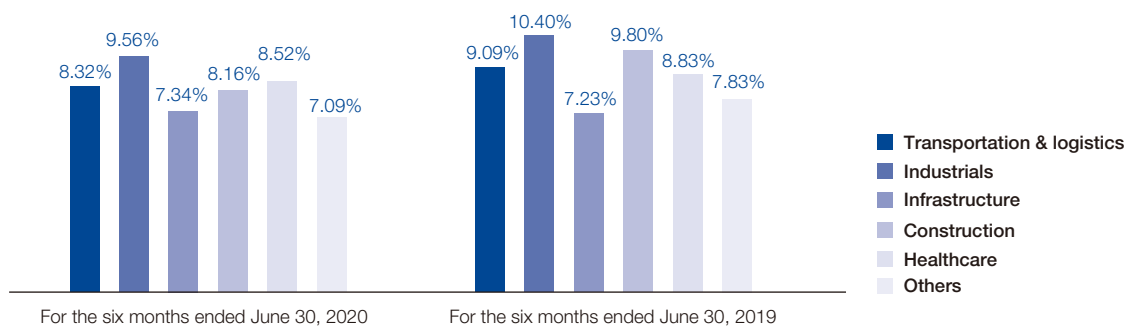
Other Industries

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

For the six months ended June 30, 2020, the average balance of interest-earning assets attributable to our business in other industries was RMB12,643.3 million, accounting for 14.4% of the average balance of interest-earning assets of the Group.

For the six months ended June 30, 2020, the income from other industries amounted to RMB448.1 million, representing a decrease of 3.8% as compared with RMB465.8 million for the same period last year, which was primarily due to the control of investment in industries in unfavorable cycle and materially affected by the pandemic in accordance with the asset allocation plan of the Group and taking into account the current general economic conditions.

Comprehensive yield by industry

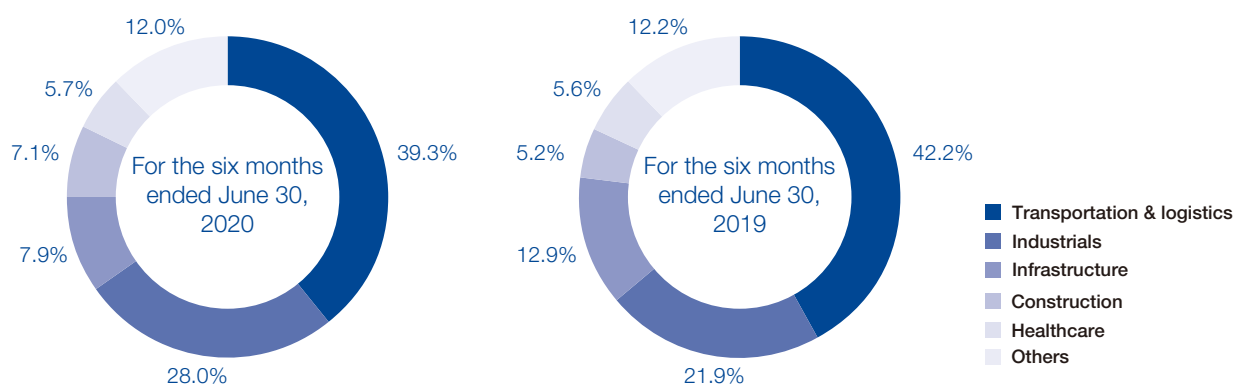


Management Discussion and Analysis

Income from finance lease business

Income from finance lease business of the Group for the six months ended June 30, 2020 increased by 14.9% to RMB2,891.9 million as compared with the same period last year. Income from finance lease business accounted for 74.3% of the total revenue of the Group.

Income from finance lease business by industries



The Group proactively adapts to the recent economic development, insists on serving the real economy, deeply develops localized segments, continuously optimizes the structure of asset allocation, and strengthens the investment in key industries such as transportation & logistics, advanced manufacturing and construction industries. For the six months ended June 30, 2020, income from construction industry and industrials increased steadily by 56.5% and 46.6%, respectively, as compared with the same period last year.

Operating lease income

Our operating lease income increased by 16.3% to RMB246.9 million for the six months ended June 30, 2020 as compared with the same period last year. The increase was primarily due to the completion of settlement of five aircraft by the Group. For the six months ended June 30, 2020, the net lease yield of the aircraft operating lease business of the Group was 5.59%.

Management Discussion and Analysis

For the six months ended June 30, 2020, the Group completed the settlement of five aircraft. As at June 30, 2020, the Group owned 17 aircraft (including nine Airbus narrow-body aircraft, two Airbus wide-body aircraft and six Boeing narrow-body aircraft) with total carrying amount of approximately US\$890.7 million (or approximately RMB6,305.4 million). In addition, as at June 30, 2020, all aircraft purchased under contracts was completed and no more aircraft is contracted to be purchased. For the six months ended June 30, 2020, the Group did not dispose of any aircraft assets. The below table set forth the details of aircraft lease business:

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

Factoring interest income

We provide factoring to companies in various industries, including construction, industrials and transportation & logistics industry. We have also launched our online factoring services to meet the petty financing needs of medium- and small-sized logistic companies. We review freight bills submitted by logistics companies through our online platforms, which enhance our efficiency in providing financial service for the accounts receivables.

Our factoring interest income increased by 11.4% to RMB182.0 million for the six months ended June 30, 2020 as compared with the same period last year.

Entrusted loan and other loan interest income

Our entrusted loan and other loan interest income decreased by 39.9% to RMB26.7 million for the six months ended June 30, 2020 as compared with the same period last year. The decrease was mainly because of the prudent approach of the Group in entering into new entrusted loans and other loans business.

Service fee income

We provide various advisory services to finance lease customers. The Group's service fee income decreased by 9.3% to RMB547.1 million for the six months ended June 30, 2020 as compared with the same period last year. The decrease was mainly because we were not able to provide advisory services to our customers in a timely manner as we took measures to prevent and control the pandemic and limit the travelling of our staff. Our service fee income mainly generated from transportation & logistics, industrial and infrastructure industry. The Group further retained new customers in advanced manufacturing industry and emerging industries by fulfilling different demands of our consultation services in terms of contents and forms from high-end customers. The Group also improved its ability of consultation services as some of our consultation services had become more sophisticated, so as to improve satisfaction of customers.

Management Discussion and Analysis

Other income, revenue or loss

For the six months ended June 30, 2020, other income, revenue or loss of the Group increased by 53.1% to RMB213.7 million as compared with the same period last year. The increase was mainly due to the increase in government subsidies.

Expenses

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

	For the six months ended June 30,		Changes
	2020	2019	
	(RMB in millions)		
Depreciation and amortization	158.9	117.1	35.7%
Staff costs	308.0	276.4	11.4%
Interest expenses	1,825.3	1,597.5	14.3%
Other operating expenses	96.7	82.0	17.9%
Listing expense	—	31.8	(100.0%)
Impairment losses under expected credit loss model	907.1	559.2	62.2%
Other impairment losses	4.9	12.2	(59.8%)
Total expenses	3,300.9	2,676.2	23.3%

The total expenses of the Group increased by 23.3% to RMB3,300.9 million for the six months ended June 30, 2020 from RMB2,676.2 million for the same period last year. The increase was mainly attributable to (1) the increase in interest expenses resulting from the expansion of financing scale in line with the continuous growth of business; (2) the increase in impairment losses under expected credit loss model due to prudent risk measurement for higher risk resistance in view of the operation risk and liquidity pressure of our customers under the deteriorating external environment of prolonged economic downturn amid the spreading of the COVID-19 pandemic in the first half of 2020; and (3) the increase in depreciation and amortization resulting from the acquisition of properties and equipment.

Depreciation and amortization

The depreciation and amortization of the Group increased by 35.7% to RMB158.9 million for the six months ended June 30, 2020 from RMB117.1 million for the same period last year, which was mainly due to the increase in aircraft assets held for operating lease.

Staff costs

The staff costs of the Group increased by 11.4% to RMB308.0 million for the six months ended June 30, 2020 from RMB276.4 million for the same period last year, primarily because we increased the remuneration expenses of our staff to support our overall business growth.

Interest expenses

The interest expenses of the Group increased by 14.3% to RMB1,825.3 million for the six months ended June 30, 2020 from RMB1,597.5 million for the same period last year, which was mainly due to the increase in interest expenses attributable to the expansion of financing scale which was in line with the continuous growth of the business of the Group.

Other operating expenses

Other operating expenses of the Group increased by 17.9% to RMB96.7 million for the six months ended June 30, 2020 from RMB82.0 million for the same period last year. The increase was mainly due to the increase in tax and surcharge resulting from the continuous growth of business of the Group.

Impairment losses under expected credit loss model

Impairment losses under expected credit loss model of the Group increased by 62.2% to RMB907.1 million for the six months ended June 30, 2020 from RMB559.2 million as compared with the same period last year. The increase was mainly due to (1) the increase in the amount of provision due to the growth in our new businesses; and (2) we prudently increased the amount of provision for impairment for certain assets to further strengthen the risk resistance capabilities of the Group taking into account the downward pressure of the macro economy in the long run and the impact of the COVID-19 pandemic which is expected to bring additional operational risks and liquidity pressure to customers.

Profit for the period

Profit for the period of the Group decreased by 14.8% to RMB621.0 million for the six months ended June 30, 2020 from RMB728.5 million for the same period last year. The decrease was primarily due to decrease in net interest margin and net interest spread as we deliberately supported the real economy by offering preferential financing support to customers affected by the pandemic to weather through the tough times, and devoted effort to develop high-quality customers. The decrease was also attributable to the increase in impairment losses under expected credit loss model due to the adoption of more prudent risk measurement in order to further enhance the risk resistance of the Group.

Management Discussion and Analysis

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

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

	For the six months ended June 30,	
	2020	2019
	(RMB in millions, except percentages)	
Interest income ⁽¹⁾	3,100.6	2,723.6
Interest expenses ⁽²⁾	1,730.1	1,518.0
Net interest income	1,370.5	1,205.6
Average balance of interest-earning assets ⁽³⁾	87,459.3	74,442.7
Average balance of interest-bearing liabilities ⁽⁴⁾	78,780.1	65,878.7
Average yield of interest-earning assets ⁽⁵⁾	7.09%	7.32%
Of which: Finance lease business ⁽⁶⁾	7.37%	7.56%
Average cost of interest-bearing liabilities ⁽⁷⁾	4.39%	4.61%
Net interest spread ⁽⁸⁾	2.70%	2.71%
Net interest margin ⁽⁹⁾	3.13%	3.24%

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

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

(3) Interest-earning assets consist of receivables from finance lease business, factoring receivables, entrusted loans and other loans. Average balances are calculated based on balances before deduction of allowances for impairment losses as at the end of last year and the end of the period.

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

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

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

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

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

(9) Calculated by dividing net interest income (excluding operating leasing business) by the average balance of interest-earning assets on an annualized basis.

For the six months ended June 30, 2020, the Group recorded net interest margin and net interest spread of 3.13% and 2.70%, respectively, which were lower than the same period last year. The decrease was mainly due to the commitment of the Group in serving the real economy, its support for the customers who were affected by the COVID-19 pandemic to weather through the tough times, and its continuous exploration of quality customer base.

ANALYSIS OF CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Overview of condensed consolidated statement of financial position

The following table summarizes the condensed consolidated statements of financial position for the periods indicated:

	As at June 30, 2020	As at December 31, 2019	Changes
	(RMB in millions)		
Non-current assets			
Property and equipment	7,796.0	4,730.0	64.8%
Right-of-use assets	183.0	185.7	(1.5%)
Intangible assets	15.0	15.8	(5.1%)
Receivables from finance lease business ^(note)	38,881.0	37,934.9	2.5%
Interest in a joint venture	667.2	710.9	(6.1%)
Financial assets at fair value through profit or loss	35.9	35.9	—
Loans and receivables	2,199.6	2,738.7	(19.7%)
Deferred tax assets	1,199.7	1,006.9	19.1%
Other assets	480.7	539.0	(10.8%)
Total non-current assets	51,458.1	47,897.8	7.4%
Current assets			
Receivables from finance lease business ^(note)	39,443.0	36,950.4	6.7%
Loans and receivables	5,996.1	5,345.9	12.2%
Other assets	1,084.7	921.5	17.7%
Accounts receivable	65.4	16.7	291.6%
Financial assets held under resale agreements	624.6	1,154.5	(45.9%)
Financial assets at fair value through profit or loss	718.5	1,252.1	(42.6%)
Derivative financial assets	77.4	49.6	56.0%
Cash and bank balances	6,943.1	5,458.8	27.2%
Total current assets	54,952.8	51,149.5	7.4%
Total assets	106,410.9	99,047.3	7.4%

Management Discussion and Analysis

	As at June 30, 2020	As at December 31, 2019	Changes
	(RMB in millions)		
Current liabilities			
Borrowings	24,308.9	19,660.8	23.6%
Derivative financial liabilities	224.4	98.8	127.1%
Accrued staff costs	153.0	176.0	(13.1%)
Accounts payable	68.9	279.4	(75.3%)
Bonds payable	20,315.3	20,114.2	1.0%
Income tax payable	323.7	494.9	(34.6%)
Other liabilities	5,745.8	5,359.6	7.2%
Total current liabilities	51,140.0	46,183.7	10.7%
Net current assets	3,812.8	4,965.8	(23.2%)
Total assets less current liabilities	55,270.9	52,863.6	4.6%
Equity attributable to owners of the Company			
— Ordinary shareholders	14,124.2	14,035.9	0.6%
— Other equity instrument holders	1,211.9	1,237.2	(2.0%)
Non-controlling interests	31.3	16.7	87.4%
Total equity	15,367.4	15,289.8	0.5%
Non-current liabilities			
Borrowings	21,012.6	18,096.4	16.1%
Bonds payable	10,584.4	11,332.8	(6.6%)
Deferred tax liabilities	9.9	10.8	(8.3%)
Other liabilities	8,296.6	8,133.8	2.0%
Total non-current liabilities	39,903.5	37,573.8	6.2%
Total equity and non-current liabilities	55,270.9	52,863.6	4.6%
Net assets per Share (RMB yuan/share)	1.72	1.70	

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

Management Discussion and Analysis

Assets

Our total assets increased by 7.4% from RMB99,047.3 million as at December 31, 2019 to RMB106,410.9 million as at June 30, 2020, which was mainly due to the expansion of our leasing business driven by our increased leasing business development efforts.

Interest-earning Assets

Our interest-earning assets include receivables from finance lease business and loans and other receivables. For the six months ended June 30, 2020, driven by the overall growth of our financial leasing business, our receivables from finance lease business continued to grow. As at June 30, 2020, the carrying amount of receivables from finance lease business of the Group was RMB78,324.0 million, representing an increase of 4.6% from RMB74,885.3 million as at December 31, 2019.

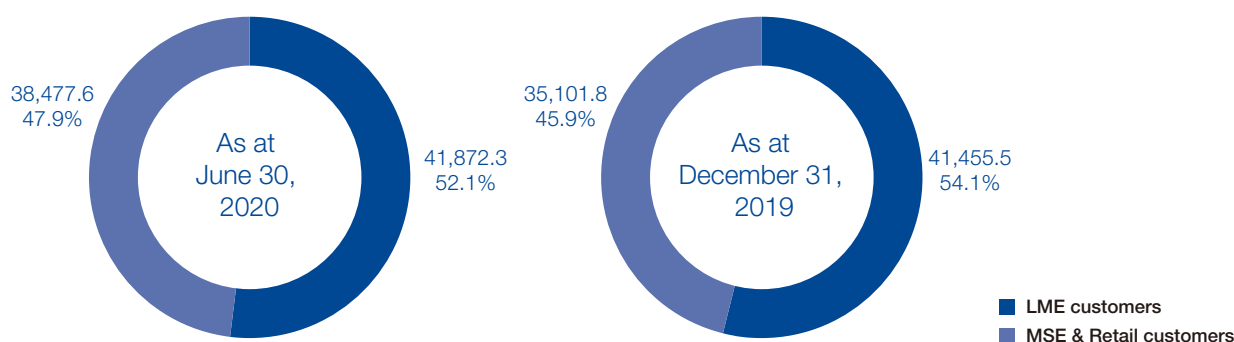
Receivables from finance lease business

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

	As at June 30, 2020	As at December 31, 2019	Changes
(RMB in millions)			
Gross amount of receivables from finance lease business	88,027.0	84,106.3	4.7%
Less: Unearned finance lease income	(7,677.1)	(7,548.8)	1.7%
Present value of receivables from finance lease business	80,349.9	76,557.5	5.0%
Less: Loss allowance	(2,025.9)	(1,672.2)	21.2%
Carrying amount of receivables from finance lease business	78,324.0	74,885.3	4.6%

Customer Analysis

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



(Unit: RMB in millions, except percentages)

The balance of finance lease receivables from LME customers, MSE & retail customers of the Group as at June 30, 2020 increased as compared with the end of last year.

Management Discussion and Analysis

Industry Analysis

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

	As at June 30, 2020		As at December 31, 2019	
	Amount	% of total	Amount	% of total
(RMB in millions, except percentages)				
Transportation & logistics	33,712.8	42.0%	30,692.8	40.1%
Industrials ⁽¹⁾	21,160.1	26.3%	18,151.8	23.7%
Infrastructure	7,906.2	9.8%	6,840.1	8.9%
Construction	4,584.8	5.7%	5,758.6	7.5%
Healthcare	3,983.6	5.0%	4,209.5	5.5%
Others ⁽²⁾	9,002.4	11.2%	10,904.7	14.3%
Total	80,349.9	100.0%	76,557.5	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, (vi) chemical industry, (vii) education and (viii) textile.

For the six months ended June 30, 2020, we have strived to optimize our asset mix with a focus on targeted industries such as transportation & logistics, industrials and infrastructure industry and expanded services provided to high-quality MSE customers and individual customers. As at June 30, 2020, the balance of our receivables from finance lease business from customers in the transportation & logistics, industrials and infrastructure increased by RMB3,020.0 million, RMB3,008.3 million and RMB1,066.1 million, respectively, as compared to those as at the end of last year.

Maturity Profile

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

	As at June 30, 2020		As at December 31, 2019	
	Amount	% of total	Amount	% of total
(RMB in millions, except percentages)				
Within one year	44,294.3	50.3%	41,537.8	49.4%
After one year and not later than five years	43,420.0	49.3%	42,167.4	50.1%
After five years	312.7	0.4%	401.1	0.5%
Total	88,027.0	100.0%	84,106.3	100.0%

Management Discussion and Analysis

As at June 30, 2020, our receivables from finance lease business due within one year accounted for 50.3% of our total gross amount of receivables from finance lease business, which remained stable as compared to 49.4% as at December 31, 2019.

Loans and Receivables

Our loans and receivables include factoring receivables and entrusted loans and other loans. As at June 30, 2020, the balance of our factoring receivables was RMB8,165.6 million, representing an increase of 6.4% from RMB7,675.6 million as at December 31, 2019. The balance of our entrusted loans and other loans was RMB988.6 million, representing a decrease of 16.3% from RMB1,181.4 million as at December 31, 2019. The Group entered into loan and receivables business prudently.

Property and Equipment

Our property and equipment include equipment held for operating lease and property and equipment held for administrative purpose. As at June 30, 2020, our equipment held for operating lease consisted of 17 aircraft. The property and equipment held for administrative purpose of the Group consisted primarily of office buildings, motor vehicles, electronic equipment, office equipment, leasehold improvements and construction in progress.

As at June 30, 2020, the property and equipment of the Group amounted to RMB7,796.0 million, representing an increase of 64.8% as compared to RMB4,730.0 million as at December 31, 2019. The increase was mainly due to the addition of office buildings and aircraft this year.

Interest in a joint venture

As at June 30, 2020, the interest in a joint venture of the Group amounted to RMB667.2 million, representing a decrease of 6.1% as compared to RMB710.9 million as at December 31, 2019. As at June 30, 2020, the Group had an aggregate of 40% equity interest in Gui'an UT Financial Leasing (Shanghai) Co., Ltd, a joint venture.

Deferred tax assets

As at June 30, 2020, the deferred tax assets of the Group amounted to RMB1,199.7 million, representing an increase of 19.1% as compared to RMB1,006.9 million as at December 31, 2019, primarily due to the increase in the provision for impairment loss. The amount of income tax related to impairment loss as at June 30, 2020 which was not filed with the tax authorities was recognized as deferred tax assets.

Cash and Bank Balances

As at June 30, 2020, the cash and bank balances of the Group were RMB6,943.1 million, representing an increase of 27.2% as compared to RMB5,458.8 million as at December 31, 2019. The increase was mainly due to the reserves prepared for future operating needs and liquidity.

Liabilities

For the six months ended June 30, 2020, COVID-19 resulted in global economic downturn and uncertainties which caused relatively great pressure to the domestic economy. In response, government authorities, the PBOC, CBIRC and other authorities have implemented relevant policies and measures including cuts in required reserve ratio to release liquidity, increasing rediscount of loans and continuous guidance to financial authorities to lower LPR, so as to support the real economy effectively, which resulted in a relatively loose market capital. The Group adhered to the stabilization and expansion of diversified financing channels so as to further consolidated the good relationship with financing channels and maintain its domestic credit rating of AAA. For the six months ended June 30, 2020, the Group achieved satisfactory progress in direct and indirect financial markets. Our overall debt structure continued to improve. Our cost of funds was effectively controlled.

As at June 30, 2020, the Group had total liabilities of RMB91,043.5 million, representing an increase of 8.7% as compared with RMB83,757.5 million as at December 31, 2019. The increase was mainly due to the increased financing scale along with the growth of business volume.

Management Discussion and Analysis

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

	As at June 30, 2020	As at December 31, 2019	Changes
	(RMB in millions)		
Current liabilities			
Borrowings	24,308.9	19,660.8	23.6%
Derivative financial liabilities	224.4	98.8	127.1%
Accrued staff costs	153.0	176.0	(13.1%)
Accounts payable	68.9	279.4	(75.3%)
Bonds payable	20,315.3	20,114.2	1.0%
Income tax payable	323.7	494.9	(34.6%)
Other liabilities	5,745.8	5,359.6	7.2%
Total current liabilities	51,140.0	46,183.7	10.7%
Non-current liabilities			
Borrowings	21,012.6	18,096.4	16.1%
Bonds payable	10,584.4	11,332.8	(6.6%)
Deferred tax liabilities	9.9	10.8	(8.3%)
Other liabilities	8,296.6	8,133.8	2.0%
Total non-current liabilities	39,903.5	37,573.8	6.2%
Total liabilities	91,043.5	83,757.5	8.7%

Borrowings

Borrowings of the Group primarily include bank borrowings, borrowings from related parties, other borrowings and lease liabilities, and bank borrowing is our major source of borrowing. As at June 30, 2020, the Group's borrowings amounted to RMB45,321.5 million, representing an increase of 20.0% as compared to the balance of borrowings of RMB37,757.2 million as at December 31, 2019. The increase was primarily because we raised funds to support our business growth.

Management Discussion and Analysis

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

	As at June 30, 2020		As at December 31, 2019	
	Amount	% of total	Amount	% of total
(RMB in millions, except percentage)				
Bank borrowings	40,214.8	88.7%	34,416.7	91.2%
Borrowings from the related parties	1,996.7	4.4%	1,161.5	3.1%
Other borrowings	2,920.8	6.4%	1,990.0	5.3%
Lease liabilities	189.2	0.5%	189.0	0.4%
Total	45,321.5	100.0%	37,757.2	100.0%
Analyzed as:				
Current	24,308.9	53.6%	19,660.8	52.1%
Non-current	21,012.6	46.4%	18,096.4	47.9%
Total	45,321.5	100.0%	37,757.2	100.0%

As at June 30, 2020, the current borrowings accounted for 53.6% of the total borrowings, which remained stable as compared with the end of last year, reflecting the prudent financing strategies and reasonable debt structure.

Bonds payable

For the six months ended June 30, 2020, the capital market maintained reasonable and adequate liquidity, while market interest rates dropped gradually as compared with 2019. Having considered the needs for business development and financing costs, the Group proactively utilized various direct financing tools. Through issuance of bonds, asset securitization and other products in the direct financing market, the Group enriched its financing products, balanced its product maturity and diversified its financing market and maintained its cost advantage by keeping the cost stable with a slight decline, which effectively secured funds for business growth of the Company.

Bonds payables of the Group include short-term and ultra-short-term commercial papers, asset-backed securities, fixed medium-term notes, corporate bonds, private placement notes and asset-backed notes. As at June 30, 2020, the Group's bonds payable amounted to RMB30,899.7 million, which remained stable as compared with RMB31,447.0 million as at the end of last year.

Management Discussion and Analysis

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

	As at June 30, 2020		As at December 31, 2019	
	Amount	% of total	Amount	% of total
(RMB in millions, except percentage)				
Analyzed as:				
Current	20,315.3	65.7%	20,114.2	64.0%
Non-current	10,584.4	34.3%	11,332.8	36.0%
Total	30,899.7	100.0%	31,447.0	100.0%

Other liabilities

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

As at June 30, 2020, the total other liabilities of the Group were RMB14,042.4 million, representing an increase of 4.1% from RMB13,493.4 million as at the end of last year. The increase was primarily due to the increase in deposits from customers.

Equity

As at June 30, 2020, the Group had a total equity of RMB15,367.4 million, representing an increase of 0.5% from RMB15,289.8 million as at the end of last year. The increase was mainly due to the increase in profit (which increased total equity), dividend distribution (which reduced total equity) and other comprehensive income (which reduced total equity) of the Group for the six months ended June 30, 2020.

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

	As at June 30, 2020	As at December 31, 2019	Changes
	(RMB in millions)		
Equity attributable to owners of the Company			
— Ordinary shareholders	14,124.2	14,035.9	0.6%
— Other equity instrument holders	1,211.9	1,237.2	(2.0)%
Non-controlling interests	31.3	16.7	87.4%
Total equity	15,367.4	15,289.8	0.5%

Management Discussion and Analysis

ANALYSIS OF CONSOLIDATED STATEMENT OF CASH FLOW

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

	For the six months ended June 30,		Changes
	2020	2019	
	(RMB in millions)		
Net cash from/(used in) operating activities	(2,470.6)	(4,067.8)	N/A
Net cash from/(used in) investing activities	(1,859.8)	(127.4)	N/A
Net cash from/(used in) financing activities	5,864.2	6,103.4	(3.9%)
Net increase in cash and cash equivalents	1,533.8	1,908.2	(19.6%)

For the six months ended June 30, 2020, net cash outflow in operating activities amounted to RMB2,470.6 million. Cash flows in operating activities consisted primarily of cash generated from or paid for our financial leasing, operating leasing, factoring, entrusted loans and other loans, and advisory businesses, as well as related transactions. The cash outflow from operating activities was mainly due to increase in business investment. The net cash outflow in operating activities decreased in the current period, mainly due to the generation of proceeds from previous investment in business growth which cover to a certain extent the cash outflow in operating activities.

For the six months ended June 30, 2020, net cash outflow in investing activities was RMB1,859.8 million, mainly reflecting (i) the purchase of financial assets at fair value through profit or loss, (ii) the purchase of financial assets held under resale agreement, and (iii) the addition of property and equipment. The aforesaid cash outflow was partially offset by (i) the proceeds on disposal of financial assets at fair value through profit or loss, (ii) the proceeds on disposal of financial assets held under resale agreements and (iii) the withdrawal of restricted deposits.

For the six months ended June 30, 2020, net cash inflow from financing activities was RMB5,864.2 million, primarily due to (i) the proceeds from borrowings, (ii) the proceeds from issuances of bonds and (iii) the capital injection from minority shareholders. The aforesaid cash inflow was partially offset by the repayment of borrowings and bonds and payment for the costs during the period.

CAPITAL MANAGEMENT

We manage our capital to ensure that the group companies in the Group is able to operate as a going concern by optimizing the structure of the debt and shareholders' equity while maximizing shareholders' return. The objective of our capital management is to ensure in compliance with the relevant laws, regulations and other regulatory requirements. According to the "Provisional Measures for the Supervision and Administration of Financial Leasing Companies" (《融資租賃公司監督管理暫行辦法》) issued by the CBIRC, the risk assets of financial leasing companies shall be subject to a maximum of eight times of net assets and the total risk assets shall be determined by deducting cash, bank deposits and treasury bonds from the total assets of enterprises. As at June 30, 2020, the Group did not violate any relevant laws and regulations regarding the total risk assets and net assets ratio.

Management Discussion and Analysis

CAPITAL EXPENDITURES

For the six months ended June 30, 2020, capital expenditure of the Group was RMB3,127.3 million, which was mainly used to purchase offices and aircraft for the six months ended June 30, 2020.

RISK MANAGEMENT

We adopt a prudent risk management philosophy. We maintain a comprehensive risk management system and implement various risk management measures throughout our business operations. We continually improve our comprehensive risk management system to enhance our overall risk management capability and core competitiveness. We engage in risk management under the comprehensive risk management framework of Haitong Securities, our Controlling Shareholder. We report key risk indicators to Haitong Securities and are supervised by Haitong Securities in terms of the reporting of such risk indicators in real time. Based on the “Provisional Measures for the Supervision and Administration of Financial Leasing Companies” (《融資租賃公司監督管理暫行辦法》) promulgated by the CBIRC and the “Shanghai Municipal Regulatory Guidelines on Regulatory Rating and Classification of Financial Leasing Companies and Commercial Factoring Companies” (《上海市融資租賃公司、商業保理公司監管評級與分類監管指引》), we formulated and implemented various risk guidelines and rules of the same or higher level to facilitate the efficient operation of our risk management system.

We have a sound risk management structure and continually improves this structure to meet our business development demand. The Board is our highest internal decision-making body on matters involving risk management. The professional committee under the Board and the management exercise specific functions based on the authorization of the Board, and various functional departments perform their duties properly to facilitate our comprehensive risk management.

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

Credit risk

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

In the first half of 2020, stricken by COVID-19, the domestic economy of China was under greater downward pressure while all industries were affected to various degrees. Coupled with the transformation, economic restructuring and change of growth dynamics during its transitional period, China experienced a mix of structural, institutional and cyclical issues. In respect of international trade, apart from the ongoing frictions between China and the U.S., the uncertainty of global industrial chains was further intensified by the outbreak of COVID-19 around the world. Facing such unprecedented challenges and the complicated domestic and overseas economic environments, we adhered to our risk management principles. Regular analysis on the macroeconomic environment was carried out. Taking into account the impacts of COVID-19, we also conducted in-depth research on the operation trend of the industry to improve risk control measures of various businesses of the Company. We continuously improved the comprehensive risk management system covering all procedures, segments and aspects in order to maximize the effectiveness of our risk management and control. These efforts allowed us to achieve sustainable quality development by safeguarding our assets and maintaining our business scale.

Management Discussion and Analysis

In the first half of 2020, we strictly complied with our existing credit risk management systems and procedures in order to efficiently manage the credit risks and asset quality of our business. As for products, with an effort to consolidate the foothold of our original lease business, we gave priority to the development of lease-related business and stepped up our lease management. As for approval, we implemented the two-dimensional evaluation system of “industry + clients” and strived for comprehensive qualitative and quantitative review and assessment. As for portfolio management, we further optimized our asset allocation by focusing on matching risks with returns. As for system establishment, continuous efforts were made to promote the application of risk model and big data in our risk management. As for lease management, through refining reporting mechanism and risk alert and response mechanism, we continued to enhance our risk mitigation ability and efficiency. Moreover, with a view to coping with the impacts of COVID-19 during the year and ensuring our asset safety, we further adopted the following measures in respect of credit risk management:

(1) Adopting two-dimensional evaluation system of “industry + clients” for timely adjustment of our preferences

The Company had been adopting dynamic management of industry prosperity. However, facing the significant changes in the risks of the industries resulted from COVID-19, we adjusted our industry preferences in a timely manner with our emphasis placed on infrastructure, public utilities and construction projects.

In respect of customers, in order to better support enterprises in resuming their work and production and overcoming challenges, the Company formulated priority support policies for customers of certain industries and levels. The emphasis of the support was placed on customers in the infrastructure, urban municipal administration and operational services sectors, and on higher-level customers in the construction, 5G, information technology, medical, advanced manufacturing sectors. In addition, in order to better serve our quality customers and enhance the approval efficiency during COVID-19, we specially launched an optimized re-ordering procedural plan for the existing quality customers.

With the effective control of COVID-19 in China, new and traditional infrastructure is making steady progress. Industries related to consumption and people’s livelihood are also resuming quickly. The Company will capitalize on its unique advantage of “financing with capital + goods” to support the resumption of the real economy. Conditional on the fact that we are able to maintain our risks at a controllable level, we will focus on capturing opportunities arising from resilient sectors, such as infrastructure, public utilities and construction, in order to seek quality customers and projects.

(2) Strengthening risk monitoring and mitigation

In addition to regular asset monitoring, we also adopted various measures to fully investigate and assess the impacts of COVID-19 on our customers. In response to the government policy for guiding and supporting the real economy, we implemented differentiated risk mitigation plans based on the investigation in respect of our customers. In the future, the Company will continue to track and evaluate asset quality, strengthen daily monitoring and cope with the short-term impacts of COVID-19. We will also take all the feasible measures to ensure the stability of our assets in the long run.

(3) Optimizing approval procedures to ensure efficiency of business development

During COVID-19, in order to minimize commuting of staff, the Company adopted an integrated “Online + Offline” approach in its approval procedures. Differentiated online and offline due diligence inspection and review arrangements were carried out for customers of different risk levels. Clear online compliance requirements were also set out for relevant online procedures. These measures protected the health of our staff and ensured the efficiency of our business development.

Management Discussion and Analysis

Assets quality

Pursuant to the regulatory requirements, the Group classifies its interest-earning assets into five categories. Furthermore, in order to promptly monitor asset quality, the Group sub-divides the five categories into fourteen levels for meticulous management. The five categories are “normal,” “special mention,” “substandard,” “doubtful” and “loss”. The last three categories are regarded as credit impaired and considered as NPAs.

Normal: the lessee can honor the terms of the contract and is able to repay the principal and interest in full on a timely basis.

Special mention: the lessee currently has the ability to repay the principal and interest, but the repayment of principal and interest receivables could be adversely affected by specific factors.

Substandard: the lessee’s ability to repay the principal and interest is in question as it cannot rely entirely on normal operating revenues to repay the principal and interest in full, and losses may ensue even when guarantees are invoked.

Doubtful: the lessee is unable to repay the principal and interest in full and losses will need to be recognized even when guarantees are invoked.

Loss: a minimal portion or no principal of, or interest on, the lease could be recovered after all possible measures have been taken and all legal remedies have been exhausted.

The following table sets forth the breakdown of the Group’s balances of interest-earning assets before provision of impairment based on the five-category classification standard of asset quality as at the dates indicated:

	As at June 30, 2020		As at December 31, 2019	
	Amount	% of total	Amount	% of total
	(RMB in millions, except percentages)			
Normal	84,185.2	94.06%	81,325.1	95.21%
Special mention	4,258.7	4.76%	3,167.6	3.71%
Substandard	494.1	0.55%	915.0	1.07%
Doubtful	563.0	0.63%	6.4	0.01%
Loss	3.2	0.00%	0.4	0.00%
Total	89,504.2	100.00%	85,414.5	100.00%
NPA ratio ⁽¹⁾		1.18%		1.08%
Allowance coverage ratio for NPAs ⁽²⁾		281.48%		265.19%

(1) Represents the percentage of NPAs to the balance of interest-earning assets before deduction of the allowance for impairment losses as at the dates indicated.

(2) Calculated by dividing the allowance for impairment loss of interest-earning assets by the balance of interest-earning NPAs.

Management Discussion and Analysis

As at June 30, 2020, the NPAs of the Group amounted to RMB1,060.3 million, and the NPA ratio was 1.18%, representing an increase of 0.1 percentage points as compared with the end of 2019. During the Reporting Period, based on stricter and more prudent principles, we proactively adjusted asset classification of some projects in response to the downturn of external economy and challenging credit risk environment, resulting in a slight increase in the balance of NPA. However, the overall asset quality remained stable as the Group had maintained a prudent and effective risk management system. The NPA ratio remained at a stable level.

As at June 30, 2020, the proportion of total interest-earning assets of the Group classified as special mention was 4.76%. For assets classified as special mention, the Company carried out tighter asset control, more frequent inspection, timely warning report and other measures to promptly identify and mitigate project risks.

As at June 30, 2020, the NPA provision ratio of the Group was 281.48%, representing an increase of 16.29 percentage points as compared with the end of 2019. Under the downward pressure in the macroeconomy and the increasingly complicated credit environment, the Group strengthened its risk prevention ability based on its prudent risk management principles to ensure the sustainable and healthy development of the Company.

Concentration of credit risks

In order to manage the risks arising from the over-concentration of assets with the same attributes in our asset portfolio, the Group has actively complied with the regulatory requirements and commensurate with our risk appetite to establish a set of stricter concentration limits to strictly limit the balance of risk exposure of a single customer, a single industry, and a single region as a percentage of our net assets in order to diversify risks.

As at June 30, 2020, the aggregate percentage of the interest-earning asset balance of the three largest industries of the Group, namely transportation & logistics, industrials and infrastructure, was 73.0%. The interest-earning asset balance of the industrials segment, infrastructure segment and transportation & logistics segment recorded an increase of 15.0%, 14.2% and 9.5%, respectively, as compared with the end of 2019. Due to our timely adjustment of credit approval preferences and our increased investments in infrastructure, transportation & logistics and other industries that are less susceptible to cyclical changes in view of the impacts of COVID-19 during the year, the Company ensured the resilient asset scale and quality. As for industrials, to align with the policy which encourages the development of “new infrastructure”, the Company established special business departments to strengthen its expansion into the emerging sectors, such as 5G, electronic information and IDC, as well as related leasing business. In addition, in response to the government policy which advocates the support of MSEs through financial initiatives, the Company continued to develop the equipment leasing business for MSEs. As such, the asset scale of industrials maintained its stable growth.

In the second half of the year, based on its asset allocation target, the Group will continue to step up the development of its infrastructure, transportation & logistics and other industries that are less susceptible to cyclical changes and are related to people's livelihood. Greater efforts will be made to expand into “new infrastructure” and other emerging sectors while continuous monitoring will be carried out in respect of the scale of traditional industries, such as chemical, that are more susceptible to cyclical changes. Furthermore, credit approval preferences will be placed on leading enterprises and those with technological competitive edges in the industry in a bid to optimize the asset allocation of the Company.

Management Discussion and Analysis

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

	As at June 30, 2020		As at December 31, 2019	
	Amount	% of total	Amount	% of total
(RMB in millions, except percentages)				
Transportation & logistics	34,470.6	38.5%	31,467.3	36.8%
Industrials ⁽¹⁾	22,415.6	25.0%	19,488.9	22.8%
Infrastructure	8,524.2	9.5%	7,465.4	8.7%
Construction	8,419.0	9.4%	9,166.8	10.7%
Healthcare	3,993.5	4.5%	4,220.9	4.9%
Others ⁽²⁾	11,681.3	13.1%	13,605.2	16.1%
Total	89,504.2	100.0%	85,414.5	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, (vi) chemical, (vii) education, and (viii) textile.

Liquidity Risk

Liquidity risk refers to the risk that we are unable to obtain sufficient funds in a timely manner and at reasonable costs to pay due debts, perform other payment obligations or satisfy capital needs arising from our ordinary course of business. We improve our ability to obtain liquidity at reasonable costs and in a timely manner by identifying, measuring, monitoring, assessing and controlling liquidity risk and properly managing and allocating our assets and liabilities. The Company formulates annual liquidity risk tolerance based on comprehensive assessment of future development, operational strategies and market conditions and implements administrative measures accordingly under proper authorization and approval on an annual basis. In order to effectively monitor and manage liquidity risk, the Company formulated and promulgated systems such as Measures for the Management of Liquidity Risk, and carried out daily liquidity risk management through regular tracking of the information system and assessment of conditions and indicators of liquidity risk. The details are as follows:

Regarding the intraday liquidity risk management:

- (1) Monitor liquidity inflows and outflows on a daily basis to meet sufficient intraday liquidity positions and payment obligations under both normal and stressed conditions;
- (2) Manage the internal liquidity reserves prudently to ensure the liquidity required for daily operations and debt repayments;
- (3) Established liquidity risk control indicators system, managing, identifying and tracking risk control indicators, and implementing corresponding warning and report for liquidity risk;
- (4) Formulated emergency plans regarding liquidity risks, launching liquidity emergency drills regularly or irregularly.

Management Discussion and Analysis

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

- (1) Implement the asset-liability structure management by determining a reasonable asset-liability ratio, monitoring and forecasting the ratio and complying with a predetermined upper limit of the aforementioned ratio;
- (2) Implement the debt maturity structure management by tracking and forecasting the debt maturity structure, analyzing the matching situation between assets and liabilities to ensure that mismatches are always within a reasonable range;
- (3) Implement the management of credit line by continuously tracking various information of the existing credit line, such as the amount, type, duration, currency, etc., to meet a sufficient credit reserves position;
- (4) The Company values cooperation with various financial institutions, maintains financing reserve from multiple markets and channels, focuses on financing management at the group level and keeps financing channels unblocked.

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

In the first half of 2020, the liquidity position of the Group was sound. The Group formulated reasonable and orderly capital planning based on the market liquidity condition and further improved our liquidity management mechanism. Our liquidity management capability continued to enhance.

Interest Rate Risk

Interest rate risk refers to the risk of adverse effects on our overall income and economic value resulting from adverse movements in interest rates. The Group has formulated and implemented internal guidelines on interest rate risk management, with specific requirements on matters such as the management procedures, division of risk management responsibilities, as well as applicable tools used to identify and measure interest rate risks. The impact of interest rate changes on our operations is measured primarily through interest rate sensitivity analysis which is used to calculate interest rate sensitivity gap, namely the difference between interest-earning assets and interest-bearing liabilities that are due or need to be re-priced within a particular period. We seek to control interest rate sensitivity gap by closely monitoring the market and adjusting our asset and liability structure. We have also established a reporting mechanism that requires us to regularly report the results of sensitivity analysis and the status of our interest rate management activities to the management on at least a monthly basis.

Save for some business contracts and loan agreements that are entered into at fixed interest rate, most of the Group's business contracts with its customers and loan agreements with lending banks are denominated in RMB and bear floating rates using LPR or the PBOC benchmark interest rates as reference. Therefore, the assets and liabilities under these contracts or agreements fluctuate with the changes in the above benchmark interest rates. Therefore, without considering the difference between assets and liabilities in adjustment frequency of interest rates, such assets and liabilities achieve a natural hedge.

We use interest rate swaps to hedge risks associated with fluctuations in US dollar interest rate. These interest rate swaps generally are from one to seven years. As at June 30, 2020, the nominal amount of our interest rate swaps (including currency swaps) amounted to RMB7,044.2 million.

Management Discussion and Analysis

Exchange Rate Risk

Exchange rate risk refers to the risk of our losses of overall revenue and economic value arising from adverse changes of exchange rate. Exchange rate risk of the Group is mainly attributable to the mismatch of the currencies of our assets and liabilities and is mainly affected by changes in the exchange rates of Renminbi and US dollar. The Group manages its exchange rate risk under the principle of risk neutralization by matching the allocation of assets and liabilities of different currencies according to sensitivity analysis of the impact on operation results by changes in exchange rate. If necessary, the Group will hedge the exposure of exchange rate risk by using foreign exchange derivatives when chances arise. The operating lease (aircraft leasing) business of the Group is funded by loans denominated in US dollar which can offset part of the exchange rate risk exposure. The Group hedges the exchange rate risk arising from funding by currency forwards and other instruments. Such arrangement effectively minimizes the exchange rate risk exposure. The exchange rate risk of the Group as a whole is relatively small and has no significant effect on the profits of the Group for the year. As at June 30, 2020, the nominal amount of our currency forwards (including currency swaps) was RMB4,597.1 million.

Operational Risk

Operational risk refers to the risk of losses associated with deficiencies or failure of the Company's internal processes, personnel and system, or impact from external events. Under comprehensive risk management framework, the Company has enhanced the entire operational risk management. The Company has combed various systems and optimized procedures of operational risk management of various departments for identifying, assessing, measuring, monitoring, tackling and reporting of risks. We have further improved the information system. While improving the institutions and process system, we have consolidated the technical foundation of operational risk management. Meanwhile, the Company have strengthened the training and performance evaluation of operational risk management in order to enhance the awareness of active management and accountability. In the first half of 2020, the operational risk was satisfactory and no major operational risk was recorded.

Reputational Risk

Reputational risk refers to the risk of negative perception by stakeholders relating to our operations, management, or other actions that we take, as well as external events relating to us. We have formulated reputational risk management policies and rules as well as the processes for identifying, monitoring, assessing and reporting reputational risks and resolving material reputational risk events under our comprehensive risk management framework. We have established a media affairs management team to manage our media-related matters, including management of public relations with media, public opinion monitoring and management of public relations in crisis, and made use of big data and public opinions monitoring system in order to closely monitor and properly resolve reputational risk events. In the first half of 2020, the reputation of the Group was generally good and no major reputational risk was encountered.

HUMAN RESOURCES

As at June 30, 2020, the Group had 1,653 full-time employees (excluding dispatched labors) in total, representing an increase of 128 full-time employees as compared to 1,525 in the same period of 2019. The Group has a team of high quality and professional employees. As at June 30, 2020, approximately 74.9% of the employees of the Group possess bachelor's degree or above or tertiary level of above, and 20.2% of the employees possess master's degree or above or postgraduate level or above.

The Company has established a training system covering programs, resources and practices to support the strategies and services of the Company. In response to COVID-19, "Precautionary Measures" online training program and "Live Class" policy introduction program were organized to facilitate the implementation of business policies. In the first half of 2020, according to the requirements of concrete targets, diverse forms and professional contents, we conducted 49 training projects in total. In order to further enhance our management quality, we implemented online projects, namely "Sailing Project (遠航項目)" for management training and "Set Sail Project (啟航項目)" for officer training, under the theme of "boosting learning, capability and management efficiency". "Spark Project (星火計劃)" and "Sailing Operation (揚帆行動)" for training of young talents were carried out at different levels in an effort to prepare the talent pool for the development of the Company. Launching certification training for project manager, "Anti-fraud" special training and "Dandelion" business training were effective in enhancing the ability of our staff. The Company developed a learning ecosystem of acquiring, inheriting and applying knowledge through establishing an online learning platform.

During the Reporting Period, the staff cost of the Group were RMB308.0 million, representing an increase of RMB31.6 million from RMB276.4 million for the same period last year.

The Group is committed to building a competitive and fair remuneration and benefits system and continues to reform the remuneration and incentive policies in order to stimulate the business development of the Group effectively through remuneration and incentives. In accordance with applicable PRC laws and regulations, the Group made contributions to social security and insurance funds (including pension plans, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing provident funds for the employees. In addition to insurances stipulated in accordance with applicable PRC laws and regulations, the Group also provided supplemental commercial medical insurances. During the Reporting Period, the Group had performed all of its obligations in respect of statutory social insurance and housing provident funds in accordance with the applicable PRC laws in all material aspects.

CHARGES ON ASSETS

As at June 30, 2020, finance lease receivables with a carrying amount of approximately RMB5,697.6 million, receivables arising from sale and leaseback arrangements with a carrying amount of approximately RMB8,063.0 million were pledged for borrowings, while equipment held for operating lease businesses with a carrying amount of approximately RMB6,018.8 million of the Group and equity interests in certain subsidiaries held by the Group were mortgaged to banks as collateral for bank borrowings.

Management Discussion and Analysis

CONTINGENT LIABILITIES

As at June 30, 2020, the Group had no contingent liabilities.

SUBSEQUENT EVENTS

Changes to the name and registered address of the Company

To meet the operation requirements of the Company, the extraordinary general meeting (the “EGM”) of the Company held on July 16, 2020 has resolved to change the Chinese name of the Company from “海通恆信國際租賃股份有限公司” to “海通恆信國際融資租賃股份有限公司” and to change the English name of the Company from “Haitong UniTrust International Leasing Co., Ltd.” to “Haitong Unitrust International Financial Leasing Co., Ltd.”. In addition, based on the actual business needs of the Company, the EGM also approved to change the registered address of the Company in the PRC from “10th Floor, Henderson Metropolitan, No. 300 Nanjing East Road, Huangpu District, Shanghai, PRC” to “No. 599 South Zhongshan Road, Huangpu District, Shanghai, PRC”.

The Shanghai Municipal Administration for Market Regulation has completed the registration of the change to the name of the Company from “海通恆信國際租賃股份有限公司” to “海通恆信國際融資租賃股份有限公司”. On August 10, 2020, the Company received a new business license dated August 7, 2020 issued by the Shanghai Municipal Administration for Market Regulation. According to the new business license, the registered address of the Company is No. 599 South Zhongshan Road, Huangpu District, Shanghai, PRC. The Company has handled all the necessary filing procedures with the Hong Kong Companies Registry as soon as possible. For details, please refer to the announcement of the Company dated August 10, 2020.

Intention to submit bidding application in open tender for acquiring equity interest of Gui'an UT

On July 24, 2020, the Board announced that the Company intended to apply for bidding in relation to 60% of the equity interest of Gui'an UT (the “Gui'an Equity Interest”) in the open tender on Guizhou Sun Property Rights Exchange Co., Ltd. by Guizhou Gui'an Financial Investment Co., Ltd., a company holding 60% of the equity interest of Gui'an UT. For details of the bidding, please refer to the announcement of the Company dated July 24, 2020.

In the event of the successful bidding in the tender by the Company, Gui'an UT will be 100% owned by the Company and become a wholly-owned subsidiary of the Company. In addition, the transaction regarding the acquisition of Gui'an equity interest is expected to constitute a discloseable transaction of the Company and shall be subject to the disclosure requirements under the Listing Rules. Subject to the development of the tender, the Company will make further announcement(s) in relation to the matters of the proposed acquisition of Gui'an equity interest in accordance with the Listing Rules as and when appropriate.

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

The Company was listed on the Stock Exchange on June 3, 2019. Net proceeds received by the Company from the Global Offering was RMB1,963.8 million (net of underwriting commissions and other related expenses). As at June 30, 2020, the Company has used all the proceeds according to the uses as disclosed in the Prospectus.

The table below sets forth a detailed breakdown and description of the use of net proceeds during the Reporting Period:

Use of proceeds	Unutilized amount as at January 1, 2020 (RMB in millions)	Utilized amount during the Reporting Period (RMB in millions)	Unutilized amount as at June 30, 2020 (RMB in millions)	Expected time of use
Development of overseas aircraft leasing business	589.1	589.1	—	N/A

Other Information

CORPORATE GOVERNANCE PRACTICE

The Company is committed to achieving high standards of corporate governance with a view to safeguarding the interests of the Shareholders, enhancing the corporate value and improving the effectiveness, transparency and accountability of its development strategies. The Company has adopted the Corporate Governance Code set out in Appendix 14 to the Hong Kong Listing Rules (the “Corporate Governance Code”) as its corporate governance practices.

During the Reporting Period, the Company had complied with all provisions of the Corporate Governance Code and adopted many recommended best practices set out therein.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

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

INTERIM DIVIDEND

The Board recommended to distribute the interim cash dividend to all of its ordinary shareholders for the six months ended June 30, 2020. Based on the number of shares of 8,235,300,000 Shares, the interim dividend to be distributed will be RMB0.38 per 10 Shares (tax inclusive) with a total amount of RMB312,941,400.00 (tax inclusive). According to the Articles of Association, the proposed interim dividend will be paid to the holders of Domestic Shares and holders of H Shares in RMB and Hong Kong dollar, respectively. The actual distribution amount in Hong Kong dollar shall be determined with reference to the average mid-price of exchange rate between RMB and Hong Kong dollars announced by the People’s Bank of China one week immediately prior to the date of the second extraordinary general meeting of 2020 to be held by the Company. Such interim dividend is subject to the approval of the Shareholders during the second extraordinary general meeting of 2020 to be held by the Company. Once approved, the 2020 interim dividend of the Company will be paid to the Shareholders whose names appear on the share register of the Company on Monday, November 16, 2020.

For the purpose of determining the entitlement of Shareholders to receive the 2020 interim dividend, the register of members of the Company will be closed from Wednesday, November 11, 2020 (inclusive) to Monday, November 16, 2020 (inclusive). In order to qualify for receiving the 2020 interim dividend, H Shareholders and Domestic Shareholders should ensure all transfer documents, accompanied by the relevant Share certificates, are lodged with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, and to the Company's registered office at No. 599 South Zhongshan Road, Huangpu District, Shanghai, PRC, respectively, before 4:30 p.m. on Tuesday, November 10, 2020. The 2020 interim dividend is expected to be distributed no later than Tuesday, December 15, 2020.

Tax for Holders of H Shares

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

Domestic Shareholders Investing Through Shenzhen-Hong Kong Stock Connect

Pursuant to the Notice on Tax Policies for Shenzhen-Hong Kong Stock Connect Pilot Program (Cai Shui [2016] No.127) (「關於 — 深港股票市場交易互聯互通機制試點有關稅收政策的通知」(財稅[2016]127號)), for dividends received by domestic individual investors from investing in H shares listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect, the H share companies shall apply to China Securities Depository and Clearing Corporation Limited ("CSDC") for the provision of a register of domestic individual investors from CSDC to the H share companies, based on which the H share companies shall withhold and pay individual income tax at the rate of 20% on behalf of the investors. For dividends received by domestic individual investors from investing in non-H shares listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect, CSDC shall withhold and pay individual income tax at the rate of 20% on behalf of the investors. Individual investors who have paid the withholding tax abroad may apply for a tax credit with the competent tax authorities under CSDC with a valid tax deduction certificate.

Other Information

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

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

AUDIT COMMITTEE

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

The Audit Committee has adopted its scope of duties in line with the Corporate Governance Code. The main responsibilities of the Audit Committee include proposing the engagement or change of external auditors and supervising their performance; reviewing and evaluating the financial control 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 material queries raised by external auditors in the external auditor's management letter; reviewing the financial information of the Company and its disclosure.

Deloitte Touche Tohmatsu, the auditor of the Company, has reviewed the interim financial report prepared by the Group in accordance with the IASs and the disclosure requirements of the Hong Kong Listing Rules. In addition, the Audit Committee has also reviewed and given consent to the interim results and interim report of the Group for the six months ended June 30, 2020.

CHANGES IN INFORMATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

As resolved and approved by the first meeting of the second session of the Board of the Company, Mr. Ding Xueqing has been appointed as the Chairman of the Board of the Company and ceased to serve as the general manager of the Company since May 2020. Mr. Ren Peng has ceased to serve as the Chairman of the Board of the Company but will continue to serve as a Non-executive Director.

As resolved and approved by the first meeting of the second session of the Board of the Company, Ms. Zhou Jianli has been appointed as the general manager of the Company since May 2020.

As resolved and approved by the 2019 annual general meeting of the Company, Mr. Yao Feng and Mr. Yan Lixin have been appointed as the Independent Non-executive Directors of the Company since May 2020.

As resolved and approved by the 2019 annual general meeting of the Company and the first meeting of the second session of the Board of Supervisors of the Company, Ms. Zhou Tao has been appointed as a shareholder representative Supervisor of the Company and was elected as the chairman of the Board of Supervisors of the Company since May 2020.

For details of the above changes in information of Directors, Supervisors and senior management, please refer to the announcement in respect of nomination of Independent Non-executive directors and shareholder representative supervisor and re-election of directors dated March 26, 2020 and the announcement in respect of poll results of annual general meeting of the Company dated May 15, 2020.

Ms. Ha Erman has been the chairman of the board of directors, director and general manager of Shanghai Shengpu Jianglan Cultural Development Co, Ltd. (上海盛浦江瀾文化發展有限公司) since March 2020.

Mr. Wu Shukun has been the director of Shanghai Haitong Securities Asset Management Co., Ltd. since March 2020.

Having made specific enquiry and as confirmed by Directors and Supervisors, save for the disclosure above, no other changes in the information of Directors and Supervisors which shall be subject to disclosure according to paragraphs (a) to (e) and (g) under Rule 13.51(2) of the Listing Rules shall be disclosed in accordance with Rule 13.51B(1) of the Listing Rules since the date of publication of the 2019 annual report of the Company.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

SHARE OPTION SCHEME

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

Other Information

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

As at June 30, 2020, the Directors, Supervisors and chief executive of the Company had no interests and/or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required to be and were recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules.

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

As at June 30, 2020, to the knowledge of the Directors, the following persons (excluding Directors, Supervisors and chief executive of the Company) had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholders	Class of shares	Identity/Nature of interest	Total number of Shares held	Percentage of total issued shares of the Company	Percentage of total issued shares of the same class of the Company	Long position/ short position
Haitong Securities	H Shares	Interest in controlled entity ⁽¹⁾	4,559,153,176	55.36%	78.68%	Long position
	Domestic Shares	Interest in controlled entity ⁽¹⁾	2,440,846,824	29.64%	100%	Long position
Haitong International Holdings Limited	H Shares	Interest in controlled entity ⁽²⁾	4,559,153,176	55.36%	78.68%	Long position
Haitong UT Capital Group Co., Limited	H Shares	Beneficial owner ⁽¹⁾⁽²⁾	4,559,153,176	55.36%	78.68%	Long position
Haitong Capital Investment Co., Ltd.	Domestic Shares	Beneficial owner ⁽¹⁾	2,440,846,824	29.64%	100%	Long position

- (1) Haitong Securities holds 100% of equity interests in Haitong Capital Investment Co., Ltd. and Haitong International Holdings Limited. Hence, pursuant to the SFO, Haitong Securities is deemed to be interested in the 2,440,846,824 Domestic Shares held by Haitong Capital Investment Co., Ltd. and the 4,559,153,176 H Shares held by Haitong International Holdings Limited through Haitong UT Capital Group Co., Limited.
- (2) Haitong International Holdings Limited holds 100% of equity interests in Haitong UT Capital Group Co., Limited. Hence, pursuant to the SFO, Haitong International Holdings Limited is deemed to be interested in the 4,559,153,176 H Shares held by Haitong UT Capital Group Co., Limited.

Save as disclosed above, as at June 30, 2020, to the knowledge of the Directors, no other persons had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept by the Company under Section 336 of the SFO.

LOAN AGREEMENTS

During the Reporting Period, the Company entered into loan agreements with specific banks, of which loans with a total amount of approximately RMB1,061.9 million include terms requiring that: (1) the Company and its Controlling Shareholder undertake that, except where the lender's consent is obtained, the Company and its Controlling Shareholder will not pledge their respective Shares in the Company in favor of external parties or reduce the share capital of the Company; and (2) the Company shall ensure that Haitong Securities maintains actual control over the Company. The terms of such loan agreements are three years.

MATERIAL LITIGATION AND ARBITRATION

During the Reporting Period, the Group had no outstanding litigation or arbitration where the Company is as a defendant.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS, DISPOSALS AND MERGERS

The Company and its subsidiaries had no significant investment, acquisition or disposal of subsidiaries, associates and joint ventures during the Reporting Period.

Definitions

“Articles”	the Articles of Association of Haitong Unitrust International Financial Leasing Co., Ltd.
“Audit Committee”	the audit committee of the Company
“Board”	the board of directors of our Company
“CBIRC”	China Banking and Insurance Regulatory Commission formed by a merger of CBRC and China Insurance Regulatory Commission and approved by the National People’s Congress of the PRC on March 17, 2018
“CBRC”	China Banking Regulatory Commission which merged with China Insurance Regulatory Commission to form the CBIRC, approved by the National People’s Congress of the PRC on March 17, 2018, and, if the context requires, refers to its successor, the CBIRC
“China” or “PRC”	the People’s Republic of China, excluding, for the purpose of this report, Hong Kong, Macau and Taiwan
“Controlling Shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of our Company
“GDP”	gross domestic product
“Group” or “we” or “us”	our Company and its subsidiaries
“Gui’an UT”	Gui’an UT Financial Leasing (Shanghai) Co., Ltd
“H Shares”	overseas listed foreign shares in the share capital of our Company with a nominal value of RMB1.00 each, subscribed for and traded in HK dollars and listed on the Hong Kong Stock Exchange
“Haitong Securities”	Haitong Securities Co., Ltd., a company incorporated in the PRC in August 1988, the H-shares and A-shares of which are listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange, respectively. It is the ultimate Controlling Shareholder of the Company
“Haitong Unitrust”, “Company” or “We”	Haitong Unitrust International Financial Leasing Co., Ltd.

“Haitong UT Capital”	Haitong UT Capital Group Co., Limited
“HK\$” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules” or “Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“IFRS”	International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by the International Accounting Standards Board and the International Accounting Standards and interpretation issued by the International Accounting Standards Committee
“Listing”	listing of the H Shares of the Company on the Main Board of the Hong Kong Stock Exchange
“Listing Date”	June 3, 2019
“Nomination Committee”	the nomination committee of the Company
“PBOC”	People’s Bank of China, the central bank of the PRC
“Prospectus”	the prospectus of the Company dated May 21, 2019
“Remuneration and Evaluation Committee”	the remuneration and evaluation committee of the Company
“Reporting Period”	the six months ended June 30, 2020
“Risk Management Committee”	the risk management committee of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Securities and Futures Ordinance” or “SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	Share(s) in the share capital of the Company with a nominal value of RMB1.00 each

Definitions

“shareholder(s)”	the holder(s) of Shares
“subsidiary(ies)”	has the meaning ascribed to it in section 15 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong)
“Supervisor(s)”	member(s) of our Board of Supervisors of the Company
“U.S.” or “United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US\$” or “US dollar(s)”	United States dollar(s), the lawful currency of the United States

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

Glossary of Technical Terms

“4S stores”	Automobile Sales Serviceshop 4S
“5G”	The fifth generation mobile communication technology
“ABS”	asset-backed security
“IDC”	Internet Data Center
“IT”	information technology
“LME”	large- and medium-sized enterprise
“LPR”	Loan Prime Rate
“MD”	Managing director
“MSE”	micro- and small-sized enterprise
“NPA(s)”	non-performing asset(s)
“PPP”	long-term cooperative arrangements between government agencies and private investors for the construction and operation of infrastructure projects and delivery of the public services
“Six Stabilizations”	six policies proposed by the PRC government for stabilizing employment, financial market, foreign trade, foreign capital, investments and expectations
“Six Supports”	supporting objectives proposed by the PRC government in respect of six major aspects, including employment, basic livelihood, market players, food and energy security, stabilized industry chains and supply chains as well as grassroots operation
“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”

Report on Review of Condensed Consolidated Financial Statements

Deloitte.

德勤

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

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

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Haitong Unitrust International Financial Leasing Co., Ltd. (海通恒信國際融資租賃股份有限公司) (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 67 to 122, which comprise the condensed consolidated statement of financial position as at June 30, 2020 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

August 28, 2020

Condensed Consolidated Statement of Profit or Loss for the Six Months Ended June 30, 2020

		Six months ended June 30	
		2020	2019
		RMB'000	RMB'000
	NOTES	(Unaudited)	(Unaudited)
Revenue			
Finance lease income	5	1,985,141	2,359,689
Interest income from sale and leaseback arrangements	5	906,795	156,123
Operating lease income	5	246,856	212,320
Service fee income	5	547,121	603,176
Factoring interest income	5	182,007	163,386
Entrusted loan and other loan interest income	5	26,671	44,431
Total revenue		3,894,591	3,539,125
Net investment gains or losses	6	11,771	(27,871)
Share of result of a joint venture		(6,212)	2,691
Other income, gains or losses	7	213,792	139,527
Total revenue and other income, gains or losses		4,113,942	3,653,472
Depreciation and amortization	8	(158,918)	(117,097)
Staff costs	9	(307,968)	(276,350)
Interest expenses	10	(1,825,306)	(1,597,468)
Other operating expenses	11	(96,713)	(82,038)
Listing expenses		—	(31,823)
Impairment losses under expected credit loss model	12	(907,119)	(559,158)
Other impairment losses		(4,890)	(12,221)
Total expenses		(3,300,914)	(2,676,155)
Profit before income tax		813,028	977,317
Income tax expenses	13	(192,072)	(248,773)
Profit for the period		620,956	728,544

Condensed Consolidated Statement of Profit or Loss for the Six Months Ended June 30, 2020

		Six months ended June 30	
		2020	2019
		RMB'000	RMB'000
	NOTES	(Unaudited)	(Unaudited)
Attributable to:			
Owners of the Company			
— Ordinary shareholders		596,204	674,673
— Other equity instrument holders		24,905	24,851
Non-controlling interests		(153)	29,020
		620,956	728,544
Earnings per share attributable to ordinary shareholders of the Company (Expressed in RMB Yuan per share)			
— Basic	14	0.07	0.09
— Diluted	14	N/A	0.09

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Six Months Ended June 30, 2020

	Six months ended June 30	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit for the period	620,956	728,544
Other comprehensive income/(expense):		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation	(28,890)	6,646
Fair value losses on hedging instrument designated in cash flow hedges	(116,645)	(1,741)
Other comprehensive income/(expense) for the period, net of income tax	(145,535)	4,905
Total comprehensive income for the period	475,421	733,449
Attributable to:		
Owners of the Company		
— Ordinary shareholders	450,669	679,578
— Other equity instrument holders	24,905	24,851
Non-controlling interests	(153)	29,020
	475,421	733,449

Condensed Consolidated Statement of Financial Position

As At June 30, 2020

		2020/6/30	2019/12/31
		RMB'000	RMB'000
	NOTES	(Unaudited)	(Audited)
Non-current assets			
Property and equipment	16	7,795,987	4,730,048
Right-of-use assets	16	183,035	185,720
Intangible assets		14,978	15,774
Finance lease receivables	17	22,443,013	24,786,256
Receivables arising from sale and leaseback arrangements	18	16,438,000	13,148,660
Interest in a joint venture		667,203	710,889
Financial assets at fair value through profit or loss	24	35,928	35,921
Loans and receivables	19	2,199,582	2,738,737
Deferred tax assets	20	1,199,706	1,006,941
Other assets	21	480,716	538,857
Total non-current assets		51,458,148	47,897,803
Current assets			
Finance lease receivables	17	28,207,614	28,155,387
Receivables arising from sale and leaseback arrangements	18	11,235,400	8,795,032
Loans and receivables	19	5,996,062	5,345,915
Other assets	21	1,084,582	921,422
Accounts receivable	22	65,392	16,682
Financial assets held under resale agreements	23	624,644	1,154,514
Financial assets at fair value through profit or loss	24	718,467	1,252,063
Derivative financial assets	25	77,414	49,619
Cash and bank balances	26	6,943,138	5,458,838
Total current assets		54,952,713	51,149,472
Total assets		106,410,861	99,047,275

Condensed Consolidated Statement of Financial Position As At June 30, 2020

		2020/6/30 RMB'000 (Unaudited)	2019/12/31 RMB'000 (Audited)
	NOTES		
Current liabilities			
Borrowings	27	24,308,904	19,660,876
Derivative financial liabilities	25	224,412	98,805
Accrued staff costs	28	153,036	175,986
Accounts payable	29	68,865	279,399
Bonds payable	30	20,315,274	20,114,151
Income tax payable		323,737	494,850
Other liabilities	31	5,745,734	5,359,619
Total current liabilities		51,139,962	46,183,686
Net current assets		3,812,751	4,965,786
Total assets less current liabilities		55,270,899	52,863,589
Equity			
Share capital	32	8,235,300	8,235,300
Reserves			
— Capital reserve		2,497,465	2,497,465
— Surplus reserve		314,999	314,999
— Hedging reserve		(114,143)	2,502
— Translation reserve		(10,615)	18,275
Retained profits		3,201,191	2,967,374
Other equity instrument			
— Perpetual note	33	1,211,940	1,237,212
Equity attributable to owners of the Company			
— Ordinary shareholders		14,124,197	14,035,915
— Other equity instrument holders		1,211,940	1,237,212
Non-controlling interests		31,294	16,660
Total equity		15,367,431	15,289,787

Condensed Consolidated Statement of Financial Position

As At June 30, 2020

		2020/6/30 RMB'000 (Unaudited)	2019/12/31 RMB'000 (Audited)
	NOTES		
Non-current liabilities			
Borrowings	27	21,012,639	18,096,373
Bonds payable	30	10,584,446	11,332,791
Deferred tax liabilities	20	9,935	10,808
Other liabilities	31	8,296,448	8,133,830
Total non-current liabilities		39,903,468	37,573,802
Total equity and non-current liabilities		55,270,899	52,863,589

The unaudited condensed consolidated financial statements on pages 67 to 122 were approved by the Board of Directors on August 28, 2020 and signed on its behalf by:

Ding Xueqing
Chairman of Board/
Executive Director

Zhou Jianli
Executive Director/
General Manager

Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2020

	Attributable to owners of the Company									
	Share capital RMB'000	Capital reserve RMB'000	Surplus reserve RMB'000	Hedging reserve RMB'000	Translation reserve RMB'000	Retained profits RMB'000	Ordinary	Other equity instrument RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
							shareholders			
							Sub-total RMB'000			
At January 1, 2020	8,235,300	2,497,465	314,999	2,502	18,275	2,967,374	14,035,915	1,237,212	16,660	15,289,787
Profit for the period	—	—	—	—	—	596,204	596,204	24,905	(153)	620,956
Other comprehensive income for the period	—	—	—	(116,645)	(28,890)	—	(145,535)	—	—	(145,535)
Total comprehensive income for the period	—	—	—	(116,645)	(28,890)	596,204	450,669	24,905	(153)	475,421
Capital injection by non-controlling interests	—	—	—	—	—	—	—	—	14,787	14,787
Distribution of perpetual note	—	—	—	—	—	—	—	(50,211)	—	(50,211)
Dividends recognised as distribution	—	—	—	—	—	(362,353)	(362,353)	—	—	(362,353)
Others	—	—	—	—	—	(34)	(34)	34	—	—
At June 30, 2020 (Unaudited)	8,235,300	2,497,465	314,999	(114,143)	(10,615)	3,201,191	14,124,197	1,211,940	31,294	15,367,431
At January 1, 2019	7,000,000	1,780,163	203,446	—	(9,617)	2,211,807	11,185,799	1,237,008	495,001	12,917,808
Profit for the period	—	—	—	—	—	674,673	674,673	24,851	29,020	728,544
Other comprehensive income for the period	—	—	—	(1,741)	6,646	—	4,905	—	—	4,905
Total comprehensive income for the period	—	—	—	(1,741)	6,646	674,673	679,578	24,851	29,020	733,449
Issuance of shares, net	1,235,300	726,313	—	—	—	—	1,961,613	—	—	1,961,613
Capital injection by non-controlling interests	—	—	—	—	—	—	—	—	2,401	2,401
Distribution of perpetual note	—	—	—	—	—	12,516	12,516	(50,062)	—	(37,546)
Others	—	—	—	—	—	(118)	(118)	118	—	—
At June 30, 2019 (Unaudited)	8,235,300	2,506,476	203,446	(1,741)	(2,971)	2,898,878	13,839,388	1,211,915	526,422	15,577,725

Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2020

		For the six months ended June 30,	
		2020	2019
		RMB'000	RMB'000
	Note	(Unaudited)	(Unaudited)
NET CASH FROM/(USED IN) OPERATING ACTIVITIES		(2,470,592)	(4,067,770)
INVESTING ACTIVITIES			
Proceeds on sale financial assets held under resale agreements		3,731,400	11,100,000
Proceeds on sale of financial assets at fair value through profit or loss		5,126,340	3,526,395
Withdrawal of restricted deposits		56,065	225,921
Purchase of financial assets held under resale agreements		(3,200,600)	(11,045,000)
Purchase of financial assets at fair value through profit or loss		(4,775,000)	(3,355,000)
Purchase of asset-backed securities		(52,730)	—
Prepayment on property and equipment and intangible assets		—	(75,734)
Purchase of property and equipment and intangible assets		(2,745,301)	(503,992)
NET CASH FROM/(USED IN) INVESTING ACTIVITIES		(1,859,826)	(127,410)
FINANCING ACTIVITIES			
Proceeds from issuance of shares		—	2,039,249
Proceeds from capital injection of the non-controlling investors		14,787	2,401
Proceeds from borrowings		15,600,291	11,645,075
Proceeds from issuance of bonds		12,380,599	13,091,512
Repayment of borrowings		(8,992,077)	(10,425,968)
Repayment of bonds payable		(12,941,330)	(10,097,907)
Repayments of lease liabilities		(32,071)	(15,491)
Payments for the costs of borrowing		(45,136)	(44,083)
Payments for the costs of bonds issuance and perpetual note issuance		(70,672)	(41,348)
Payment of distribution of perpetual note		(50,211)	(50,062)
NET CASH FROM/(USED IN) FINANCING ACTIVITIES		5,864,180	6,103,378
NET INCREASE IN CASH AND CASH EQUIVALENTS		1,533,762	1,908,198
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	35	5,053,127	3,662,767
Effect of foreign exchange rate changes		6,604	5,567
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	35	6,593,493	5,576,532

Notes to the Financial Information

1. GENERAL INFORMATION

The Company was listed on The Stock Exchange of Hong Kong Limited and issued 1,235,300,000 H shares with par value of RMB1 on June 3, 2019. The registered office of the Company is located at No. 599 South Zhongshan Road, Huang Pu District, Shanghai, the People's Republic of China (the "PRC").

The approved business scope of the Group mainly includes the finance lease business, lease business, purchase of leased assets from both domestic and international suppliers, residual value disposal and maintenance of leased assets, advisory services and guarantee of lease transactions, commercial factoring business related to the main business and others as approved by relevant law.

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

2. BASIS OF PREPARATION AND PRESENTATION

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

As described below, other than additional accounting policies resulting from application of amendments to International Financial Reporting Standards ("IFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2020 are the same as those presented in the Group's annual financial statements for the year ended December 31, 2019.

Application of amendments to IFRSs

In the current interim period, the Group has applied the Amendments to Reference to the Conceptual Framework in IFRS Standards and the following amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the annual period beginning on or after January 1, 2020 for the preparation of the Group's condensed consolidated financial statements:

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

Notes to the Financial Information

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The application of the Amendments to Reference to the Conceptual Framework in IFRS Standards and the amendments to IFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the condensed consolidated financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies of the Group. The key sources of estimation uncertainty used in the condensed consolidated financial statements for six months ended June 30, 2020 are the same as those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2019.

5. REVENUE AND SEGMENT INFORMATION

	Six months ended June 30,	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Finance lease income (note i)	1,985,141	2,359,689
Interest income from sale and leaseback arrangements	906,795	156,123
Operating lease income	246,856	212,320
Service fee income (note ii)	547,121	603,176
Factoring interest income (note iii)	182,007	163,386
Entrusted loan and other loan interest income (note iii)	26,671	44,431
Total revenue	3,894,591	3,539,125

notes:

(i): The Group has no variable lease payments which is not included in the measurement of finance lease receivables for the six months ended June 30, 2020.

(ii): Service fee income is from contracts with customers and recognised at a point in time when the services are completed under the terms of each service engagement and the revenue can be measured reliably, since only by that time the Group has a present right to charge the customers for the service performed. The services are all for periods of one year or less. As permitted under IFRS 15, the transaction price allocated to the unsatisfied contracts is not disclosed.

(iii): The factoring interest income and entrusted loan and other loan interest income are all interest revenue calculated using the effective interest method.

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

The management of the Company has determined that the Group has only one operating and reportable segment throughout the reporting period. The management of the Company reviews the consolidated statement of financial position and results of the Group as a whole for the purposes of allocating resources and assessing performance of the Group.

Geographical information

The Group's revenue from external customers is derived mainly from its operations and services rendered in the PRC, and non-current assets of the Group are mainly located in the PRC.

Information about major customers

During the six months ended June 30, 2020, there was no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

6. NET INVESTMENT GAINS OR LOSSES

	Six months ended June 30,	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net losses arising from derivative financial instruments	(2,909)	(65,924)
Net gains arising from financial assets at fair value through profit or loss	14,680	38,053
	11,771	(27,871)

Notes to the Financial Information

7. OTHER INCOME, GAINS OR LOSSES

	Six months ended June 30,	
	2020	2019
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Interest income from deposits with financial institutions	30,226	33,188
Interest income from financial assets held under resale agreements	31,161	39,249
Foreign exchange gains/(losses)	2,744	(6,926)
Government grants (note)	140,475	71,561
Losses on disposal of finance lease assets	(12,123)	(13,194)
Others	21,309	15,649
	213,792	139,527

note: Government grants primarily consist of the fiscal support that local governments offer to enterprises in financial leasing industry and refund of value-added tax, etc.

8. DEPRECIATION AND AMORTIZATION

	Six months ended June 30,	
	2020	2019
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Depreciation of property and equipment	125,279	99,499
Depreciation of right-of-use assets	31,156	15,591
Amortization of intangible assets	2,483	2,007
	158,918	117,097

9. STAFF COSTS

	Six months ended June 30,	
	2020	2019
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Salaries, bonus and allowances	251,749	213,898
Social welfare	41,131	52,775
Others	15,088	9,677
	307,968	276,350

The domestic employees of the Group in the PRC participate in a state-managed social welfare plans, including social pension insurance, health care insurance, housing funds and other social welfare contributions, operated by the relevant municipal and provincial governments. According to the relevant regulations, the premiums and welfare benefit contributions borne by the Group are calculated and paid to the relevant labor and social welfare authorities on a regular basis. These social security plans are defined contribution plans and contributions to the plans are expensed as incurred. Apart from participating in various defined contribution retirement benefit plans organized by municipal and provincial governments in Mainland China, the Group is also required to make monthly contributions to annuity plans at fixed rates of the employees' salary and bonus for the period. The Group's contributions to these pension plans are charged to profit or loss in the period to which they related.

10. INTEREST EXPENSES

	Six months ended June 30,	
	2020	2019
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Interest on liabilities:		
Bank borrowings and others	1,090,966	900,038
Bonds payable	729,508	695,610
Lease liabilities	4,832	1,820
	1,825,306	1,597,468

Notes to the Financial Information

11. OTHER OPERATING EXPENSES

	Six months ended June 30,	
	2020	2019
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Short term lease expenses	1,441	8,549
Business travelling expenses	15,415	22,943
Advisory expenses	14,227	8,471
Business development expenses	3,694	5,395
Administrative expenses	5,137	4,203
Communication expenses	6,232	5,169
Bank charges	4,907	7,307
Tax and surcharges	14,315	3,548
Auditor's fee	1,857	2,190
Property management expenses	7,512	2,563
Others	21,976	11,700
	96,713	82,038

12. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL

	Six months ended June 30,	
	2020	2019
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Impairment loss recognised/(reversed) on:		
— finance lease receivables	614,555	271,823
— receivables arising from sale and leaseback arrangements	78,126	146,229
— loans and receivables	211,630	142,387
— financial assets held under resale agreements	(930)	(654)
— accounts receivable	245	169
— cash and bank balances	1	(53)
— other assets	3,492	(743)
	907,119	559,158

13. INCOME TAX EXPENSES

	Six months ended June 30,	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax:		
PRC Enterprise Income Tax	377,333	355,753
Hong Kong Profit Tax	2,644	1,658
Other jurisdictions	42	108
Sub-total	380,019	357,519
Deferred tax:	(187,947)	(108,746)
Total	192,072	248,773

Under the Enterprise Income Tax Law of the PRC (the "EIT Law") and the Regulation on the Implementation of the EIT Law, the tax rate of the Company and the Group's PRC subsidiaries is 25%. Taxation arising in Ireland is calculated at the prevailing rate of 12.5% or 25.0%, and taxation arising in Hong Kong is calculated at the prevailing rate of 16.5% or 8.25%.

14. EARNINGS PER SHARE

	Six months ended June 30,	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings for the purpose of basic and diluted earnings per share:		
Profit for the period attributable to ordinary shareholders of the Company	596,204	674,673
Weighted average number of shares for basic earnings per share (in '000) (note)	8,235,300	7,191,096
Weighted average number of shares for diluted earnings per share (in '000)	N/A	7,191,096
Basic earnings per share (Expressed in RMB Yuan per share)	0.07	0.09
Diluted earnings per share (Expressed in RMB Yuan per share)	N/A	0.09

note: On June 3, 2019, the Company was listed on the Main Board of the Hong Kong Stock Exchange and issued 1,235,300,000 H shares with par value of RMB1.

Notes to the Financial Information

14. EARNINGS PER SHARE (CONTINUED)

No diluted earnings per share is presented for the six months ended June 30, 2020 as there were no potential ordinary shares in issue during the current interim periods.

The computation of diluted earnings per share for the six months ended June 30, 2019 does not assume the exercise of the Company's over-options because the exercise price of the over-options was higher than the average market price of shares for the option period.

15. DIVIDENDS

Pursuant to a resolution passed at the 2019 annual general meeting on May 15, 2020, the Company declared a cash dividend of RMB0.44 per 10 shares (tax inclusive) in respect of the year ended December 31, 2019 (The final dividend), in an aggregate amount of RMB362,353,200.00 (tax inclusive).

Subsequent to the end of the reporting period, based on the number of shares of 8,235,300,000 Shares, an interim cash dividend in respect of the six months ended June 30, 2020 of RMB0.38 per 10 shares (tax inclusive), in an aggregate amount of RMB312,941,400.00 (tax inclusive), has been proposed by the Board of Directors of the Company and is subject to approval by the shareholders in the second extraordinary general meeting of 2020 to be held by the Company. The interim cash dividend in respect of the six months ended June 30, 2019 was RMB0.5 per 10 shares (tax inclusive), in an aggregate amount of RMB411,765,000.00 (tax inclusive).

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

During the six months ended June 30, 2020, the Group acquired items of property and equipment at a total cost of RMB3,125,565 thousand (six months ended June 30, 2019: RMB502,453 thousand), among which the cost of five aircrafts acquired for operating lease business and leasehold land and building was RMB1,804,594 thousand and RMB1,288,094 thousand during the current interim period.

As at June 30, 2020, the net carrying amount of Group's aircraft held for operating business amounted to RMB6,305,438 thousand (as at December 31, 2019: RMB4,547,076 thousand), among which RMB6,018,805 thousand was mortgaged as collateral for the Group's bank borrowings (as at December 31, 2019: RMB4,255,379 thousand).

During the current interim period, the Group entered into several new lease agreements with lease terms ranged from 24 to 36 months. During the six months ended June 30, 2020, the Group recognised right-of-use assets of RMB28,541 thousand (six months ended 30 June 2019: RMB163,043 thousand) and lease liabilities of RMB28,541 thousand (six months ended 30 June 2019: RMB163,043 thousand).

17. FINANCE LEASE RECEIVABLES

	2020/6/30 RMB'000 (Unaudited)	2019/12/31 RMB'000 (Audited)
Minimum finance lease receivables		
— Within one year	31,674,066	31,614,990
— In the second year	17,374,517	18,316,347
— In the third year	6,906,176	7,717,572
— In the fourth year	481,281	1,102,009
— In the fifth year	193,945	196,705
— After five years	312,698	401,150
Gross amount of finance lease receivables	56,942,683	59,348,773
Less: Unearned finance lease income	(4,593,010)	(4,984,413)
Present value of minimum finance lease receivables	52,349,673	54,364,360
Less: Loss allowance	(1,699,046)	(1,422,717)
Carrying amount of finance lease receivables	50,650,627	52,941,643
Present value of minimum finance lease receivables		
— Within one year	29,093,029	28,957,576
— In the second year	15,978,484	16,798,678
— In the third year	6,360,786	7,064,671
— In the fourth year	465,804	1,017,695
— In the fifth year	182,782	186,959
— After five years	268,788	338,781
Total	52,349,673	54,364,360
Analyzed as:		
Current	28,207,614	28,155,387
Non-current	22,443,013	24,786,256
Total	50,650,627	52,941,643

17. FINANCE LEASE RECEIVABLES (CONTINUED)

The Group entered into finance lease arrangements for certain machinery equipment for infrastructure, transportation & logistics, etc. Substantially all leases of the Company and its subsidiaries are denominated in RMB. The term range of finance leases entered into is from one to eight years.

As at June 30, 2020, the carrying amount of finance lease receivables amounted to RMB5,697,570 thousand has been pledged as collateral for the Group's borrowings (as at December 31, 2019: RMB8,832,561 thousand).

The floating interest rates of finance lease receivables were with reference to the benchmark interest rate of the People's Bank of China ("PBOC") ("PBOC Rate"). The floating interest rates of finance lease receivables were adjusted periodically with reference to the PBOC Rate.

17. FINANCE LEASE RECEIVABLES (CONTINUED)

Movements of allowance for loss allowance on finance lease receivables

	Stage 1 12-months ECL RMB'000	Stage 2 Lifetime ECL not credit-impaired RMB'000	Stage 3 Lifetime ECL credit-impaired RMB'000	Total RMB'000
As at December 31, 2019 (Audited)	809,239	427,389	186,089	1,422,717
Changes in the loss allowance (Unaudited):				
— Transfer to Stage 1	18,434	(16,277)	(2,157)	—
— Transfer to Stage 2	(72,462)	72,462	—	—
— Transfer to Stage 3	(2,833)	(156,116)	158,949	—
— Recovery of finance lease receivables previously written off	—	—	22,804	22,804
— Write-offs	—	—	(82,373)	(82,373)
— Other derecognition	—	—	(278,657)	(278,657)
— (Credit)/charge to profit or loss	(58,080)	419,552	253,083	614,555
As at June 30, 2020 (Unaudited)	694,298	747,010	257,738	1,699,046

	Stage 1 12-months ECL RMB'000	Stage 2 Lifetime ECL not credit-impaired RMB'000	Stage 3 Lifetime ECL credit-impaired RMB'000	Total RMB'000
As at December 31, 2018 (Audited)	995,408	365,353	344,207	1,704,968
Changes in the loss allowance:				
— Transfer to Stage 1	8,850	(8,116)	(734)	—
— Transfer to Stage 2	(47,626)	47,796	(170)	—
— Transfer to Stage 3	(1,258)	(50,460)	51,718	—
— Recovery of finance lease receivables previously written off	—	—	57,029	57,029
— Write-offs	—	—	(649,755)	(649,755)
— Other derecognition	—	—	(428,611)	(428,611)
— (Credit)/charge to profit or loss	(146,135)	72,816	812,405	739,086
As at December 31, 2019 (Audited)	809,239	427,389	186,089	1,422,717

Notes to the Financial Information

17. FINANCE LEASE RECEIVABLES (CONTINUED)

Analysis of present value of minimum finance lease receivables

	Stage 1 12-months ECL RMB'000	Stage 2 Lifetime ECL not credit-impaired RMB'000	Stage 3 Lifetime ECL credit-impaired RMB'000	Total RMB'000
As at June 30, 2020 (Unaudited)	49,012,182	2,760,057	577,434	52,349,673
As at December 31, 2019 (Audited)	52,243,091	1,675,580	445,689	54,364,360

18. RECEIVABLES ARISING FROM SALE AND LEASEBACK ARRANGEMENTS

The table below illustrates the gross and carrying amount of receivables arising from sale and leaseback arrangements

	2020/6/30 RMB'000 (Unaudited)	2019/12/31 RMB'000 (Audited)
— Within one year	12,620,243	9,922,821
— In the second year	9,598,845	7,783,770
— In the third year	5,038,772	3,995,867
— In the fourth year	2,760,290	1,851,864
— In the fifth year	1,066,193	1,203,216
Gross amount of receivables arising from sale and leaseback arrangements	31,084,343	24,757,538
Less: Interest adjustment	(3,084,089)	(2,564,435)
Present value of receivables arising from sale and leaseback arrangements	28,000,254	22,193,103
Less: Loss allowance	(326,854)	(249,411)
Carrying amount of receivables arising from sale and leaseback arrangements	27,673,400	21,943,692
Present value of receivables arising from sale and leaseback arrangements:		
— Within one year	11,368,102	8,894,996
— In the second year	8,646,479	6,977,512
— In the third year	4,538,841	3,581,967
— In the fourth year	2,486,423	1,660,044
— In the fifth year	960,409	1,078,584
Total	28,000,254	22,193,103

Notes to the Financial Information

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

	2020/6/30 RMB'000 (Unaudited)	2019/12/31 RMB'000 (Audited)
Analyzed as:		
Current	11,235,400	8,795,032
Non-current	16,438,000	13,148,660
Total	27,673,400	21,943,692

As at June 30, 2020, the carrying amount of receivables arising from sales and leaseback arrangements amounted to RMB8,062,993 thousands has been pledged as collateral for the Group's borrowings (as at December 31, 2019: RMB4,977,336 thousand).

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

	Stage 1 12-months ECL RMB'000	Stage 2 Lifetime ECL not credit-impaired RMB'000	Stage 3 Lifetime ECL credit-impaired RMB'000	Total RMB'000
As at December 31, 2019 (Audited)	240,109	8,252	1,050	249,411
Changes in the loss allowance (Unaudited):				
— Transfer to Stage 1	1,782	(1,456)	(326)	—
— Transfer to Stage 2	(2,373)	2,373	—	—
— Transfer to Stage 3	(126)	(127)	253	—
— Write-offs	—	—	(683)	(683)
— Charge to profit or loss	69,574	5,791	2,761	78,126
As at June 30, 2020 (Unaudited)	308,966	14,833	3,055	326,854

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

	Stage 1 12-months ECL RMB'000	Stage 2 Lifetime ECL not credit-impaired RMB'000	Stage 3 Lifetime ECL credit-impaired RMB'000	Total RMB'000
As at January 1, 2019	—	—	—	—
Changes in the loss allowance:				
— Charge to profit or loss	240,109	8,252	1,050	249,411
As at December 31, 2019 (Audited)	240,109	8,252	1,050	249,411

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

	Stage 1 12-months ECL RMB'000	Stage 2 Lifetime ECL not credit-impaired RMB'000	Stage 3 Lifetime ECL credit-impaired RMB'000	Total RMB'000
As at June 30, 2020 (Unaudited)	27,919,440	75,229	5,585	28,000,254
As at December 31, 2019 (Audited)	22,156,131	34,461	2,511	22,193,103

Notes to the Financial Information

19. LOANS AND RECEIVABLES

	2020/6/30 RMB'000 (Unaudited)	2019/12/31 RMB'000 (Audited)
Factoring receivables	8,165,608	7,675,554
Entrusted loans and other loans	988,627	1,181,445
Subtotal of loans and receivables	9,154,235	8,856,999
Less: Loss allowance for factoring receivables	(876,163)	(717,389)
Loss allowance for entrusted loans and other loans	(82,428)	(54,958)
Total	8,195,644	8,084,652
Analyzed as:		
Current	5,996,062	5,345,915
Non-current	2,199,582	2,738,737
Total	8,195,644	8,084,652

19. LOANS AND RECEIVABLES (CONTINUED)

a. The table below illustrates the gross and carrying amount of factoring receivables:

	2020/6/30 RMB'000 (Unaudited)	2019/12/31 RMB'000 (Audited)
Within one year	6,479,318	5,398,790
More than one year but not exceeding five years	2,388,771	2,928,399
More than five years	135,602	163,204
Gross amount of factoring receivables	9,003,691	8,490,393
Less: Interest adjustment	(838,083)	(814,839)
Present value of factoring receivables	8,165,608	7,675,554
Less: Loss allowance	(876,163)	(717,389)
Carrying amount of factoring receivables	7,289,445	6,958,165
Present value of factoring receivables:		
— Within one year	5,876,149	4,880,474
— More than one year but not exceeding five years	2,166,512	2,647,600
— More than five years	122,947	147,480
Total	8,165,608	7,675,554

Notes to the Financial Information

19. LOANS AND RECEIVABLES (CONTINUED)

b. The table below illustrates the present value and carrying amount of entrusted loans and other loans:

	2020/6/30 RMB'000 (Unaudited)	2019/12/31 RMB'000 (Audited)
Within one year	826,144	969,958
More than one year but not exceeding five years	159,461	204,591
More than five years	3,022	6,896
Present value of entrusted loans and other loans	988,627	1,181,445
Less: Loss allowance	(82,428)	(54,958)
Carrying amount of entrusted loans and other loans	906,199	1,126,487

c. Movements of loss allowance for loans and receivables:

	Stage 1 12-months ECL RMB'000	Stage 2 Lifetime ECL not credit-impaired RMB'000	Stage 3 Lifetime ECL credit-impaired RMB'000	Total RMB'000
As at December 31, 2019 (Audited)	144,910	423,588	203,849	772,347
Changes in the loss allowance (Unaudited):				
— Transfer to Stage 3	—	(8,504)	8,504	—
— Other derecognition	—	—	(25,580)	(25,580)
— Charge to profit or loss	39,557	7,357	164,716	211,630
— Exchange differences arising on translation	194	—	—	194
As at June 30, 2020 (Unaudited)	184,661	422,441	351,489	958,591

19. LOANS AND RECEIVABLES (CONTINUED)

	Stage 1 12-months ECL RMB'000	Stage 2 Lifetime ECL not credit-impaired RMB'000	Stage 3 Lifetime ECL credit-impaired RMB'000	Total RMB'000
As at December 31, 2018 (Audited)	198,482	333,653	3,665	535,800
Changes in the loss allowance:				
— Transfer to Stage 2	(46,278)	46,278	—	—
— Transfer to Stage 3	—	(143,271)	143,271	—
— Other derecognition	—	—	(38,450)	(38,450)
— (Credit)/charge to profit or loss	(7,719)	186,928	95,363	274,572
— Exchange differences arising on translation	425	—	—	425
As at December 31, 2019 (Audited)	144,910	423,588	203,849	772,347

d. Analysis of loans and receivables balances:

	Stage 1 12-months ECL RMB'000	Stage 2 Lifetime ECL not credit-impaired RMB'000	Stage 3 Lifetime ECL credit-impaired RMB'000	Total RMB'000
As at June 30, 2020 (Unaudited)	7,179,572	1,497,378	477,285	9,154,235
As at December 31, 2019 (Audited)	6,843,637	1,539,777	473,585	8,856,999

Notes to the Financial Information

20. DEFERRED TAXATION

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

	2020/6/30 RMB'000 (Unaudited)	2019/12/31 RMB'000 (Audited)
Deferred tax assets	1,199,706	1,006,941
Deferred tax liabilities	(9,935)	(10,808)
	1,189,771	996,133

20. DEFERRED TAXATION (CONTINUED)

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

	Loss allowance	Changes in fair value of derivatives	Changes in fair value of financial assets at fair value through profit and loss	Deductible tax losses	Accelerated depreciation	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2019	732,361	(928)	(10,121)	21,136	(27,160)	679	715,967
Credit/(charge) to profit or loss	270,720	1,094	5,104	21,540	(18,589)	(13)	279,856
Credit to other comprehensive income	—	394	—	—	—	—	394
Effect of exchange rates	3	12	—	565	(664)	—	(84)
As at December 31, 2019 (Audited)	1,003,084	572	(5,017)	43,241	(46,413)	666	996,133
Credit/(charge) to profit or loss	186,291	521	95	10,433	(9,563)	170	187,947
Credit to other comprehensive income	—	5,763	—	—	—	—	5,763
Effect of exchange rates	1	17	—	537	(626)	(1)	(72)
As at June 30, 2020 (Unaudited)	1,189,376	6,873	(4,922)	54,211	(56,602)	835	1,189,771

Notes to the Financial Information

21. OTHER ASSETS

Non-current

	2020/6/30 RMB'000 (Unaudited)	2019/12/31 RMB'000 (Audited)
Repossession of finance lease assets	101,935	111,680
Prepayments on acquisition of property and equipment and intangible assets	269	290,486
Long-term receivables from government cooperation projects	213,468	75,277
Foreclosed assets	12,919	59,568
Assets with continuing involvement	53,789	—
Junior tranches of asset-backed securities	56,552	—
Others	56,195	9,032
Sub-total	495,127	546,043
Less: Loss allowance	(14,411)	(7,186)
Total	480,716	538,857

Current

	2020/6/30 RMB'000 (Unaudited)	2019/12/31 RMB'000 (Audited)
Government project deposit	—	150,200
VAT tax credit and provisional VAT tax credit	231,191	133,043
Properties under development	198,393	496,185
Completed properties for sale	500,326	—
Prepayments	94,153	88,801
Others	60,619	54,009
Sub-total	1,084,682	922,238
Less: Loss allowance	(100)	(816)
Total	1,084,582	921,422

21. OTHER ASSETS (CONTINUED)

Movement of loss allowance for other assets are as follows:

	2020/6/30 RMB'000 (Unaudited)	2019/12/31 RMB'000 (Audited)
At the beginning of the period/year	8,002	5,339
Charged to profit or loss	8,382	15,959
Derecognition	(1,873)	(13,294)
Exchange differences arising on translation	—	(2)
At the end of the period/year	14,511	8,002

22. ACCOUNTS RECEIVABLE

	2020/6/30 RMB'000 (Unaudited)	2019/12/31 RMB'000 (Audited)
Accounts receivable from:		
— settlement of finance lease receivable	27,803	27,803
— operating lease	48,955	—
— others	4,016	4,016
Sub-total	80,774	31,819
Less: Loss allowance	(15,382)	(15,137)
Total	65,392	16,682

Notes to the Financial Information

22. ACCOUNTS RECEIVABLE (CONTINUED)

Analyzed by aging as follows:

	2020/6/30 RMB'000 (Unaudited)	2019/12/31 RMB'000 (Audited)
Within one year	48,710	—
More than one year but not exceeding to three years	16,682	16,682
Total	65,392	16,682

Movements of loss allowance for accounts receivable are as follows:

	2020/6/30 RMB'000 (Unaudited)	2019/12/31 RMB'000 (Audited)
At the beginning of the period/year	15,137	4,251
Charged to profit or loss	245	11,042
Write-offs	—	(155)
Exchange differences arising on translation	—	(1)
At the end of the period/year	15,382	15,137

23. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	2020/6/30 RMB'000 (Unaudited)	2019/12/31 RMB'000 (Audited)
Finance lease receivables held under resale agreements	629,000	828,000
Treasury bonds held under resale agreements	—	331,800
Sub-total	629,000	1,159,800
Less: Loss allowance	(4,356)	(5,286)
Total	624,644	1,154,514

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020/6/30 RMB'000 (Unaudited)	2019/12/31 RMB'000 (Audited)
Measured at fair value:		
Funds (note)	647,382	835,989
Equity investments	35,928	35,921
Structured deposits	20,003	340,125
Asset management schemes and trust plans	51,082	75,949
Total	754,395	1,287,984
Analyzed as:		
Unlisted	754,395	1,287,984
Analyzed as:		
Current	718,467	1,252,063
Non-current	35,928	35,921
Total	754,395	1,287,984

note: As at June 30, 2020, the funds amounting to RMB300,000 thousand was managed by HFT Investment Management Co., Ltd. (December 31, 2019: RMB601,633 thousand). For the six months ended June 30, 2020, the net gains from the above funds amounted to RMB1,653 thousand (six months ended June 30, 2019: RMB7,848 thousand).

Notes to the Financial Information

25. DERIVATIVE FINANCIAL INSTRUMENTS

	2020/6/30 (Unaudited)		
	Nominal Amount	Assets	Liabilities
	RMB'000	RMB'000	RMB'000
<i>Derivatives under hedge accounting:</i>			
Interest rate swaps	4,940,888	—	(214,330)
Currency forwards	2,493,729	75,957	(2,133)
Cross currency interest rate swaps	2,103,348	1,457	(7,949)
Total	9,537,965	77,414	(224,412)

	2019/12/31 (Audited)		
	Nominal Amount	Assets	Liabilities
	RMB'000	RMB'000	RMB'000
<i>Derivatives under hedge accounting:</i>			
Interest rate swaps	4,162,610	—	(98,805)
Currency forwards	2,274,294	42,339	—
Cross currency interest rate swaps	956,573	7,280	—
Total	7,393,477	49,619	(98,805)

As at June 30, 2020, fixed interest rates for USD interest rate swaps ("IRS") were 1.3700% to 4.3650% (December 31, 2019: fixed interest rates for USD IRS were 3.4900% to 4.3650%).

As at June 30, 2020, currency forwards with forward exchange rates of buying USD and selling RMB ranged from 6.7910 to 7.1875 (December 31, 2019: 6.9655 to 7.1854).

As at June 30, 2020, cross currency interest rate swaps are with fixed interest rates for USD IRS ranging from 2.5600% to 3.9000% (December 31, 2019: 3.6000% to 4.6545%) and with forward exchange rates of buying USD and selling RMB ranging from 7.0000 to 7.1839 (December 31, 2019: 6.7350 to 6.9110).

25. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Cash flow hedge

During the six months ended June 30, 2020, the Group used interest rate swaps, currency forwards, cross currency interest rate swaps to hedge against exposures to cash flow variability primarily from interest rate and foreign exchange risks of borrowings.

During the six months ended June 30, 2020, the Group's net loss from the cash flow hedge of RMB116,645 thousand was recognized in other comprehensive income (six months ended June 30, 2019: net loss of RMB1,741 thousand).

26. CASH AND BANK BALANCES

	2020/6/30 RMB'000 (Unaudited)	2019/12/31 RMB'000 (Audited)
Restricted bank deposits (note)	349,654	405,719
Cash and bank balances	6,593,493	5,053,127
Less: Loss allowance	(9)	(8)
Total	6,943,138	5,458,838

note: Restricted bank deposits were all restricted for use, which represented the pledged deposit held by the Group in relation to notes payable, borrowings and aircraft maintenance funds as at June 30, 2020 and December 31, 2019.

Notes to the Financial Information

27. BORROWINGS

	2020/6/30 RMB'000 (Unaudited)	2019/12/31 RMB'000 (Audited)
Bank borrowings	40,214,839	34,416,672
Borrowings from related parties	1,996,660	1,161,537
Other borrowings	2,920,840	1,990,000
Lease liabilities	189,204	189,040
Total	45,321,543	37,757,249
Analyzed as:		
Current	24,308,904	19,660,876
Non-current	21,012,639	18,096,373
Total	45,321,543	37,757,249

a. Bank borrowings

	2020/6/30 RMB'000 (Unaudited)	2019/12/31 RMB'000 (Audited)
Secured borrowings	13,198,603	11,943,954
Unsecured and unguaranteed borrowings	26,803,851	22,472,718
Guaranteed borrowings	212,385	—
Total	40,214,839	34,416,672
Analyzed as:		
Current	21,174,711	18,192,371
Non-current	19,040,128	16,224,301
Total	40,214,839	34,416,672

27. BORROWINGS (CONTINUED)

a. Bank borrowings (continued)

	2020/6/30 RMB'000 (Unaudited)	2019/12/31 RMB'000 (Audited)
Carrying amount repayable:		
Within one year	21,174,711	18,192,371
More than one year but not exceeding two years	10,952,427	9,253,585
More than two years but not exceeding five years	6,488,270	5,815,956
More than five years	1,599,431	1,154,760
Total	40,214,839	34,416,672

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

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

	2020/6/30 (Unaudited)	2019/12/31 (Audited)
Contractual interest rate:		
Fixed-rate borrowings	2.3375%–5.45%	4.09%–5.45%
Floating-rate borrowings	PBOC Rate *92%–115% LIBOR Plus 0.7%–1.8% LPR Plus -0.725%–0.98%	PBOC Rate *90%–122% LIBOR Plus 0.7%–1.75% LPR Plus 0.075%–0.98%

Notes to the Financial Information

27. BORROWINGS (CONTINUED)

b. Borrowings from related parties

	2020/6/30 RMB'000 (Unaudited)	2019/12/31 RMB'000 (Audited)
Carrying amount repayable:		
Within one year	1,759,497	927,835
More than two years but not exceeding five years	237,163	233,702
Total	1,996,660	1,161,537

As at June 30, 2020 and December 31, 2019, the borrowings from related parties were all unsecured, and the effective interest rates per annum of the Group were 2.70% to 4.50% and 2.70% to 4.00%, respectively.

c. Other borrowings

	2020/6/30 RMB'000 (Unaudited)	2019/12/31 RMB'000 (Audited)
Secured borrowings	1,420,840	490,000
Unsecured and unguaranteed borrowings	1,500,000	1,500,000
Total	2,920,840	1,990,000
Analyzed as:		
Current	1,316,420	490,500
Non-current	1,604,420	1,499,500
Total	2,920,840	1,990,000

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

27. BORROWINGS (CONTINUED)

c. Other borrowings (continued)

	2020/6/30 RMB'000 (Unaudited)	2019/12/31 RMB'000 (Audited)
Carrying amount repayable:		
Within one year	1,316,420	490,500
More than one year but not exceeding two years	106,420	1,000
More than two years but not exceeding five years	1,498,000	1,498,500
Total	2,920,840	1,990,000

As at June 30, 2020 and December 31, 2019, the effective interest rate per annum of the other borrowings were 4.05% to 5.45% and 5.00% to 5.45%.

d. Lease liabilities

	2020/6/30 RMB'000 (Unaudited)	2019/12/31 RMB'000 (Audited)
Carrying amount repayable:		
Within one year	58,276	50,170
More than one year but not exceeding two years	53,655	47,520
More than two years but not exceeding five years	77,273	91,350
Total	189,204	189,040
Less: Amount due for settlement with 12 months shown under current liabilities	(58,276)	(50,170)
Amount due for settlement after 12 months shown under non-current liabilities	130,928	138,870

Notes to the Financial Information

28. ACCRUED STAFF COSTS

	2020/6/30 RMB'000 (Unaudited)	2019/12/31 RMB'000 (Audited)
Salaries, bonus and allowances	148,564	175,986
Others	4,472	—
Total	153,036	175,986

29. ACCOUNTS PAYABLE

	2020/6/30 RMB'000 (Unaudited)	2019/12/31 RMB'000 (Audited)
Payable for acquisition of leasing equipment and factoring	68,865	279,399
Analyzed by aging as:		
Within 60 days	8,054	229,069
More than 91 days	60,811	50,330
Total	68,865	279,399

30. BONDS PAYABLE

	2020/6/30 RMB'000 (Unaudited)	2019/12/31 RMB'000 (Audited)
Analyzed as:		
Current	20,315,274	20,114,151
Non-current	10,584,446	11,332,791
Total	30,899,720	31,446,942

a. Bonds payable by nature

	2020/6/30 RMB'000 (Unaudited)	2019/12/31 RMB'000 (Audited)
Short-term commercial papers (note i)	999,698	998,802
Ultra-short-term commercial papers (note ii)	4,498,036	4,496,274
Asset-backed securities (note iii)	9,533,016	10,535,967
Fixed medium-term notes (note iv)	2,272,155	2,270,467
Corporate bonds (note v)	4,883,200	4,687,955
Private Placement notes (note vi)	5,986,726	5,981,986
Asset-backed notes (note vii)	2,726,889	2,475,491
Total	30,899,720	31,446,942

notes:

(i):

Issue Date	August 19, 2019
Outstanding principal amount	RMB1,000 million
Coupon rate	3.37%
Maturity period	1 year

Notes to the Financial Information

30. BONDS PAYABLE (CONTINUED)

a. Bonds payable by nature (continued)

(ii):

Issue Date	October 23, 2019	November 13, 2019	March 3, 2020	April 28, 2020	May 20, 2020	June 3, 2020
Outstanding principal amount	RMB1,000 million	RMB1,000 million	RMB500 million	RMB500 million	RMB500 million	RMB1,000 million
Coupon rate	2.90%	2.90%	2.42%	1.45%	1.90%	1.70%
Maturity period	270 days	270 days	180 days	149 days	160 days	180 days

(iii):

Issue Date	June 15, 2018	August 14, 2018	November 23, 2018	February 27, 2019	March 19, 2019	April 16, 2019
Outstanding principal amount	Senior: RMB21 million; Junior: RMB75 million	Senior: RMB90 million; Junior: RMB70 million	Senior: RMB136 million; Junior: RMB75 million	Senior: RMB453 million; Junior: RMB80 million	Senior: RMB147 million; Junior: RMB50 million	Senior: RMB453 million; Junior: RMB80 million
Coupon rate	Senior: 5.49%, 5.70% and 5.84%	Senior: 4.50%, 4.85% and 5.83%	Senior: 4.66%, 4.73% and 5.80%	Senior: 3.83%, 4.18% and 5.00%	Senior: 4.00%, 4.05% and 4.70%	Senior: 3.69%, 3.83% and 4.40%
Maturity period	Senior: 32 months; Junior: 32 months	Senior: 30 months; Junior: 33 months	Senior: 31 months; Junior: 37 months	Senior: 34 months; Junior: 37 months	Senior: 20 months; Junior: 35 months	Senior: 30 months; Junior: 36 months

Issue Date	May 31, 2019	June 14, 2019	August 8, 2019	August 27, 2019	October 31, 2019	December 24, 2019	December 26, 2019
Outstanding principal amount	Senior: RMB312 million; Junior: RMB50 million	Senior: RMB646 million; Junior: RMB80 million	Senior: RMB395 million; Junior: RMB50 million	Senior: RMB657 million; Junior: RMB74 million	Senior: RMB487 million; Junior: RMB50 million	Senior: RMB618 million; Junior: RMB50 million	Senior: RMB505 million; Junior: RMB50 million
Coupon rate	Senior: 4.00%, 4.15% and 4.34%	Senior: 4.00%, 4.30% and 4.50%	Senior: 3.95%, 4.40% and 4.80%	Senior: 4.28%, 4.40% and 4.45%	Senior: 4.05%, 4.20% and 4.60%	Senior: 4.20%, 4.35% and 4.60%	Senior: 4.10% and 4.60%
Maturity period	Senior: 20 months; Junior: 36 months	Senior: 33 months; Junior: 36 months	Senior: 21 months; Junior: 36 months	Senior: 32 months; Junior: 35 months	Senior: 32 months; Junior: 35 months	Senior: 33 months; Junior: 36 months	Senior: 20 months; Junior: 56 months

30. BONDS PAYABLE (CONTINUED)

a. Bonds payable by nature (continued)

(iii): (continued)

Issue Date	March 24, 2020	April 7, 2020	April 15, 2020	May 28, 2020	June 17, 2020	June 19, 2020
Outstanding principal	Senior:	Senior:	Senior:	Senior:	Senior:	Senior:
amount	RMB950 million;	RMB190 million;	RMB760 million;	RMB880 million;	RMB950 million;	RMB950 million;
	Junior:	Junior:	Junior:	Junior:	Junior:	Junior:
	RMB50 million	RMB10 million	RMB50 million	RMB46 million	RMB50 million	RMB50 million
Coupon rate	Senior:	Senior:	Senior:	Senior:	Senior:	Senior:
	3.08%, 3.60%	5.00%	2.70%, 2.95%	2.43%, 2.84%	3.25%, 3.60%	3.14%, 3.54%
	and 3.65%		and 3.40%	and 3.40%	and 3.70%	and 3.80%
Maturity period	Senior:	Senior:	Senior:	Senior:	Senior:	Senior:
	20 months;	3 years+3 years;	34 months;	26 months;	33 months;	20 months;
	Junior:	Junior:	Junior:	Junior:	Junior:	Junior:
	44 months	3 years+3 years	34 months	26 months	36 months	41 months

(iv):

Issue Date	June 3, 2016	July 13, 2016	March 20, 2018	April 24, 2018
Outstanding principal				
amount	RMB185 million	RMB290 million	RMB1,000 million	RMB800 million
Coupon rate	4.07%	4.10%	5.77%	5.23%
Maturity period	5 years (3+2)	5 years (3+2)	3 years	3 years

(v):

Issue Date	July 19, 2017	September 20, 2018	October 24, 2018	February 26, 2019	July 22, 2019	May 7, 2020	June 18, 2020
Outstanding principal	RMB1,000	RMB800	RMB400	RMB500	RMB500	RMB1,000	RMB700
amount	million	million	million	million	million	million	million
Coupon rate	4.70%	5.05%	4.85%	5.20%	4.83%	3.50%	3.95%
Maturity period	3 years	3 years	3 years	3 years	3 years	3 years	2 years

Notes to the Financial Information

30. BONDS PAYABLE (CONTINUED)

a. Bonds payable by nature (continued)

(vi):

Issue Date	November 9, 2017	February 7, 2018	June 13, 2018	November 27, 2018	December 10, 2018	April 18, 2019	May 29, 2019	December 2, 2019
Outstanding principal amount	RMB800 million	RMB600 million	RMB500 million	RMB800 million	RMB600 million	RMB300 million	RMB1,000 million	RMB1,400 million
Coupon rate	5.80%	6.35%	6.50%	5.20%	5.13%	4.65%	4.70%	4.50%
Maturity period	3 years	3 years	3 years	3 years	2 years	3 years	3 years	3 years

(vii):

Issue Date	November 22, 2017	December 21 to 24, 2018	November 11, 2019	March 23, 2020
Outstanding principal amount	Senior: RMB1,360 million; Junior: RMB70 million	Senior: RMB248 million; Junior: RMB50 million	Senior: RMB387 million; Junior: RMB50 million	Senior: RMB745 million; Junior: RMB50 million
Coupon rate	Senior: 5.80%	Senior: 4.50%, 4.80% and 5.90%	Senior: LPR-0.20%, 4.10% and 4.57%	Senior: 3.05%, 3.10% and 4.10%
Maturity period	Senior: 34 months; Junior: 37 months	Senior: 11 months, 24 months and 33 months; Junior: 35 months	Senior: 29 months; Junior: 32 months	Senior: 11 months, 23 months and 32 months; Junior: 57 months

31. OTHER LIABILITIES

	2020/6/30 RMB'000 (Unaudited)	2019/12/31 RMB'000 (Audited)
CURRENT		
Amounts due to related parties	—	804,283
Deposits due within one year	3,236,246	2,566,718
Deferred revenue	77,991	63,998
Interest payable	639,192	572,315
Notes payable	513,126	727,867
Advance receipt	12,268	4,788
Other taxes payable	2,972	3,900
Accrued expenses	135,385	161,233
Government cooperation project payables	138,893	224,554
Contract liabilities	303,210	120,000
Dividends payable (Note 15)	362,353	—
Other payables	324,098	109,963
Total	5,745,734	5,359,619
NON-CURRENT		
Deposits from clients	7,148,813	7,116,287
Deferred revenue	662,279	666,492
Deposits from suppliers and agents	67,087	50,767
Aircraft maintenance funds	222,067	222,120
Liabilities for continuing involvement	53,789	—
Other payables	142,413	78,164
Total	8,296,448	8,133,830

Notes to the Financial Information

32. SHARE CAPITAL

	2020/6/30 RMB'000 (Unaudited)	2019/12/31 RMB'000 (Audited)
Issued and fully paid capital		
At beginning of the period/year	8,235,300	7,000,000
Additions	—	1,235,300
At end of the period/year (note)	8,235,300	8,235,300

note: Upon listed on the Hong Kong Stock Exchange, the Company has two classes of ordinary shares, namely H Shares and Domestic Shares. 4,559,153,176 Unlisted Foreign Shares in aggregate held by Haitong UT Capital Group Co., Limited were converted into H Shares on a one-for-one basis.

All the Domestic Shares and H Shares rank pari passu with each other as to dividends and voting rights.

33. OTHER EQUITY INSTRUMENT

As at March 11, 2016, the Company issued a perpetual medium-term note with principal amount of RMB1,200 million and value date on March 14, 2016.

The above financial instrument has no fixed maturity date and is redeemable at the option of the Company on or after the fifth interest payment date, based on principal amount with any accrued, unpaid or deferred interest payments.

Unless the compulsory interest payment events mentioned below have occurred, the Company has the right to choose to defer interest payment at each interest payment date without time limit of deferrals, which does not cause the issuer for the breach of the contract.

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

- to declare and pay dividend to ordinary shareholders
- to decrease registered paid-in/share capital

33. OTHER EQUITY INSTRUMENT (CONTINUED)

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 six months ended June 30, 2020, profit attributable to the holders of the perpetual note of the Group amounting to RMB24,905 thousand (six months ended June 30, 2019: RMB24,851 thousand), are determined with reference to the distribution rate specified in the terms and conditions.

34. TRANSFERS 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 receivables arising from sale and leaseback arrangements to structured entities which issue asset-backed securities to investors. In some cases, the Group holds all the junior tranches asset-backed securities, substantially all the risks and rewards of ownership of the transferred assets are retained, so the Group continues to recognise the transferred asset in its entirety and recognises bonds payable for the consideration received.

As at June 30, 2020, the carrying amount of finance lease receivables and receivables arising from sale and leaseback arrangements amounted to RMB10,012 million has been transferred but not derecognised (December 31, 2019: RMB11,037 million).

As at June 30, 2020, the related carrying amount of financial liabilities was RMB9,533 million (December 31, 2019: RMB10,536 million).

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

As at June 30, 2020, the carrying amount of finance lease receivables and receivables arising from sale and leaseback arrangements amounted to RMB662 million has been securitised by the Group under arrangements in which the Group retained a continuing involvement in such assets (December 31, 2019: nil).

As at June 30, 2020, the carrying amount of assets that the Group continued to recognise was RMB54 million (December 31, 2019: Nil). The Group also recognized other assets and other liabilities of the same amount arising from such continuing involvement.

Notes to the Financial Information

34. TRANSFERS OF FINANCIAL ASSETS (CONTINUED)

Asset-backed notes

The Group enters into securitization transactions in the normal course of business by which it transfers finance lease receivables and receivables arising from sale and leaseback arrangements to structured entities which issue asset-backed notes in China Inter-bank market to investors. As the Group holds all the junior tranches asset-backed notes, substantially all the risks and rewards of ownership of the transferred assets are retained, so the Group continues to recognise the transferred asset in its entirety and recognises bonds payable for the consideration received.

As at June 30, 2020, the carrying amount of finance lease receivables and receivables arising from sale and leaseback arrangements amounted to RMB2,493 million has been transferred but not derecognised (December 31, 2019: RMB2,673 million).

As at June 30, 2020, the related carrying amount of financial liabilities was RMB2,727 million (December 31, 2019: RMB2,475 million).

35. CASH AND CASH EQUIVALENTS

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

	2020/6/30 RMB'000 (Unaudited)	2019/12/31 RMB'000 (Audited)
Deposit in banks	6,593,493	5,053,127
Total	6,593,493	5,053,127

36. CAPITAL COMMITMENTS

	2020/6/30 RMB'000 (Unaudited)	2019/12/31 RMB'000 (Audited)
Contracted, but not provided for:		
Construction agreements under Public-Private Partnership and government outsourcing projects	2,332,459	2,590,831
Property and equipment	—	2,912,601
Total	2,332,459	5,503,432

37. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

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

Name of the related party	Relationship of the related party
Haitong UT Capital Group Co., Limited	Parent Company
Haitong Securities Co., Ltd.	Ultimate Holding Company
Haitong Capital Investment Co., Ltd.	Shareholder
HFT Investment Management Co., Ltd.	Fellow Subsidiary
Shanghai Haitong Securities Asset Management Co., Ltd.	Fellow Subsidiary
Shanghai HFT Fortune Asset Management Co., Ltd.	Fellow Subsidiary
Unican Limited	Fellow Subsidiary
Shanghai Weitai Properties Management Co., Ltd.	Fellow Subsidiary
Gui'an UT Financial Leasing (Shanghai) Co., Ltd.	Joint Venture Company

Other than as discussed elsewhere in these condensed consolidated financial statements, the Group had the following material transactions with the related parties for the six months ended June 30, 2020 and 2019:

(1) Interest expenses

	Six months ended June 30,	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Unican Limited	21,389	16,816
Haitong UT Capital Group Co., Limited	18,506	—

(2) Other income, gains or losses

	Six months ended June 30,	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Gui'an UT Financial Leasing (Shanghai) Co., Ltd. (note)	30,616	38,196

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

Notes to the Financial Information

37. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(3) Other operating expenses

	Six months ended June 30,	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Haitong Securities Co., Ltd.	2,641	—
Shanghai Weital Properties Management Co., Ltd.	6,871	—

(4) Financial assets held under resale agreement

	2020/6/30	2019/12/31
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Gui'an UT Financial Leasing (Shanghai) Co., Ltd.	629,000	828,000

(5) Other assets

	2020/6/30	2019/12/31
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Gui'an UT Financial Leasing (Shanghai) Co., Ltd.	3,234	4,284

(6) Borrowings

	2020/6/30	2019/12/31
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Unican Limited	1,178,736	1,161,537
Haitong UT Capital Group Co., Limited	817,924	—

(7) Bonds payable

	2020/6/30	2019/12/31
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Haitong Securities Co., Ltd. (note)	75,380	70,231

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

37. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(8) Other liabilities

	2020/6/30	2019/12/31
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Haitong UT Capital Group Co., Limited	219,108	804,283
Unican Limited	103,255	80,557
Haitong Securities Co., Ltd.	717	923
Shanghai Haitong Securities Asset Management Co., Ltd.	353	192
Haitong Capital Investment Co., Ltd.	107,397	—

(9) Others

(a) Key management personnel:

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

	Six months ended June 30,	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Basic salaries and allowances	3,046	1,943
Bonus	15,674	—
Employer's contribution to pension schemes	1,235	729

(b) Payment of referral service fees to related party

	Six months ended June 30,	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Haitong Securities Co., Ltd. (note)	1,066	2,169

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

Notes to the Financial Information

37. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(9) Others (continued)

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

	Six months ended June 30,	
	2020	2019
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Haitong Securities Co., Ltd.	29,965	38,805
Shanghai HFT Fortune Asset Management Co., Ltd.	—	4,979
Shanghai Haitong Securities Asset Management Co., Ltd.	3,640	15,954

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.

38. FINANCIAL RISK MANAGEMENT

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

During the six months ended June 30, 2020, there has been no material changes in the risk management policies. The condensed consolidated financial statements do not include all financial risk management information and disclosure and should be read in conjunction with the consolidated financial statements for the year ended December 31, 2019.

39. 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:

2020/6/30 (Unaudited)					
	Carrying amount	Fair value	Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bonds payable	30,899,720	30,938,699	—	30,938,699	—

2019/12/31 (Audited)					
	Carrying amount	Fair value	Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bonds payable	31,446,942	31,619,948	—	31,619,948	—

For debt instruments issued on authorized securities exchange, the fair values are provided by China Central Depository & Clearing Co., Ltd.

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's statements of financial position approximate their fair values.

Notes to the Financial Information

39. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

Some of the financial assets and financial liabilities are measured at fair value. The following tables give information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and key input(s) used).

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	2020/6/30	2019/12/31		
	RMB'000	RMB'000		
1) Financial assets at fair value through profit or loss:				
— Funds	Assets: 647,382	Assets: 835,989	Level 2	Net asset value as published by the fund manager
— Equity investments	Assets: 35,928	Assets: 35,921	Level 3	Using market approach, with reference to the market value of the comparable listed company, as well as the liquidity discount impact./Using transaction price, with reference to the last capital injection of new investor, with proper adjustment.
— Structured deposits	Assets: 20,003	Assets: 340,125	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest/exchange rates (from observable yield curves at the end of the reporting period) and contract interest/ exchange rates, discounted at a rate that reflects the credit risk of various counterparties.
— Asset management schemes and trust plans	Assets: 51,082	Assets: 75,949	Level 2	Net asset value as published by the issuer/financial institution.

39. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	2020/6/30 RMB'000	2019/12/31 RMB'000		
2) Currency forwards	Assets: 75,957 Liabilities: (2,133)	Assets: 42,339 Liabilities: —	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.
3) Interest rate swaps	Assets: — Liabilities: (214,330)	Assets: — Liabilities: (98,805)	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, discounted at a rate that reflects the credit risk of various counterparties.
4) Cross currency interest rate swaps	Assets: 1,457 Liabilities: (7,949)	Assets: 7,280 Liabilities: —	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange/interest rates (from observable forward exchange rates/observable yield curves at the end of the reporting period) and contract exchange/interest rates, discounted at a rate that reflects the credit risk of various counterparties.

39. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

Management determines the fair value of the Group's level 3 equity investments using valuation techniques that incorporate unobservable input. The fair value measurement of the equity investments will not change significantly if changing the unobservable input holding all other variables constant. The increase of Group's level 3 equity investments amounting to RMB7 thousand is the fair value change during the six months ended June 30, 2020.

There was no transfers between Level 1 and Level 2 during the six months ended June 30, 2020 and the year ended December 31, 2019.

40. EVENTS AFTER THE END OF THE REPORTING PERIOD

Changes to the name and registered address of the Company

The extraordinary general meeting (the "EGM") of the Company held on July 16, 2020 had approved the proposal to change the Chinese name of the Company from "海通恆信國際租賃股份有限公司" to "海通恆信國際融資租賃股份有限公司" and to change the English name of the Company from "Haitong UniTrust International Leasing Co., Ltd." to "Haitong Unitrust International Financial Leasing Co., Ltd.". In addition, the EGM also had approved the proposal to change the registered address of the Company in the PRC from "10th Floor, Henderson Metropolitan, No. 300 Nanjing East Road, Huangpu District, Shanghai, PRC" to "No. 599 South Zhongshan Road, Huangpu District, Shanghai, PRC".

The Shanghai Municipal Administration for Market Regulation has completed the registration of the change to the name of the Company from "海通恆信國際租賃股份有限公司" to "海通恆信國際融資租賃股份有限公司". On August 10, 2020, the Company received a new business license dated August 7, 2020 issued by the Shanghai Municipal Administration for Market Regulation. According to the new business license, the registered address of the Company is No. 599 South Zhongshan Road, Huangpu District, Shanghai, PRC.

Intention to submit bidding application in open tender for acquiring equity interest of Gui'an UT

As at July 24, 2020, the board of directors of the Company announced that the Company intended to apply for bidding in relation to 60% of the equity interest of Gui'an UT Financial Leasing (Shanghai) Co., Ltd. ("Gui'an UT") in the open tender (the "Tender") on Guizhou Sun Property Rights Exchange Co., Ltd by Guizhou Gui'an Financial Investment Co., Ltd., a company holding 60% of the equity interest of Gui'an UT.

In the event of the successful bidding in the tender by the Company, Gui'an UT will be 100% owned by the Company and become a wholly-owned subsidiary of the Company.