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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)**

## **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2020**

The board of directors (the “**Board**”) of Haitong Unitrust International Financial Leasing Co., Ltd. (the “**Company**”) hereby announces the audited consolidated annual results of the Company and its subsidiaries for the year ended December 31, 2020. The Audit Committee of the Board of the Company has reviewed the annual 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 annual results. The printed version of the Company’s 2020 annual 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](http://www.hkexnews.hk) and of the Company at [www.utfinancing.com](http://www.utfinancing.com).

By order of the Board

**Haitong Unitrust International Financial Leasing Co., Ltd.**

**DING Xueqing**

*Chairman*

Hong Kong, March 30, 2021

*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. ZENG Qingsheng, Mr. WU Yat Wai and Mr. YAN Lixin.*

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## Company Profile

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

The Group has been adhering to its role as a financial service provider of the real economy and has been grasping favorable opportunities arising from the major transformation of economy of China. The Group has also pursued the operating strategies of “cross-border thinking, promoting innovative development, strengthening our capacity and grasping business opportunities”. Based on its customer strategy of maintaining a balanced customer base, the Group has provided tailored services to a wide range of customers, including LMEs, MSEs and retail customers. We have continued to provide comprehensive financial services to customers in transportation & logistics, industrial sector, infrastructure, construction, health care and other industries 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.

The Group’s headquarters is located in Shanghai and operates six specialized business departments, namely Public Services Department, Information and Environment Protection Department, Construction Department, Advanced Manufacturing and Institutional Business Department, Health Care Business Department and MSE Business Department. We have also established 17 branches. Our branch network also encompasses numbers of subsidiaries in areas including Hong Kong, Tianjin, Shandong, Hebei, Jiangxi, Shanghai and Anhui. 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.

## BOARD OF DIRECTORS

### Executive Directors

Mr. DING Xueqing (Chairman of the Board)

Ms. ZHOU Jianli

### Non-executive Directors

Mr. REN Peng

Ms. HA Erman

Mr. LI Chuan

Mr. WU Shukun

Mr. ZHANG Shaohua

### Independent non-executive Directors

Mr. JIANG Yulin

Mr. YAO Feng

Mr. ZENG Qingsheng

Mr. WU Yat Wai

Mr. YAN Lixin

## AUDIT COMMITTEE OF THE BOARD

Mr. ZENG Qingsheng (Chairman)

Mr. ZHANG Shaohua

Mr. YAN Lixin

## NOMINATION COMMITTEE OF THE BOARD

Mr. REN Peng (Chairman)

Mr. JIANG Yulin

Mr. WU Yat Wai

## REMUNERATION AND EVALUATION COMMITTEE OF THE BOARD

Mr. JIANG Yulin (Chairman)

Mr. WU Shukun

Mr. YAO Feng

Mr. ZENG Qingsheng

## RISK MANAGEMENT COMMITTEE OF THE BOARD

Mr. YAN Lixin (Chairman)

Mr. DING Xueqing

Mr. ZHANG Shaohua

Mr. YAO Feng

## BOARD OF SUPERVISORS

Ms. ZHOU Tao (Chairman)

Ms. ZHAO Yue

Mr. CHEN Xinji

## JOINT COMPANY SECRETARIES

Mr. FU Da

Ms. SO Shuk Yi Betty (ACG, ACS)

## AUTHORIZED REPRESENTATIVES

Mr. DING Xueqing

Ms. SO Shuk Yi Betty (ACG, ACS)

### LEGAL ADVISORS

*as to Hong Kong law*

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

*as to PRC law*

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

### AUDITOR

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

*Domestic Auditor*

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

*International Auditor*

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

### COMPLIANCE ADVISOR

Orient Capital (Hong Kong) Limited  
28-29/F  
No. 100 Queen's 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

No. 599 South Zhongshan Road  
Huangpu District  
Shanghai  
PRC

### HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

### PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

### COMPANY'S WEBSITE

<http://www.utfinancing.com>

### STOCK CODE

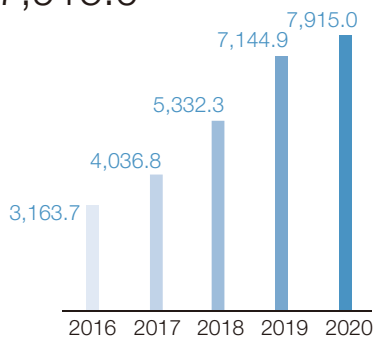
1905

### LISTING DATE

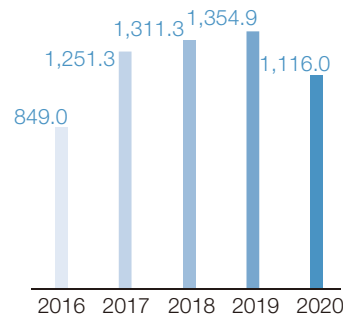
June 3, 2019

## For the year ended December 31, 2020

Total revenue  
RMB in millions  
7,915.0



Profit for the year  
RMB in millions  
1,116.0

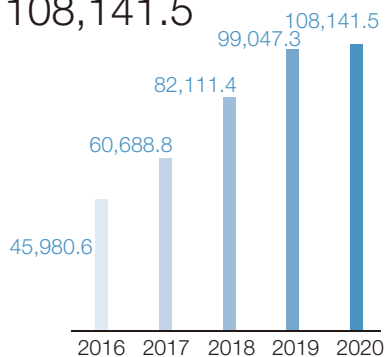


Basic earnings  
per share  
RMB yuan/share

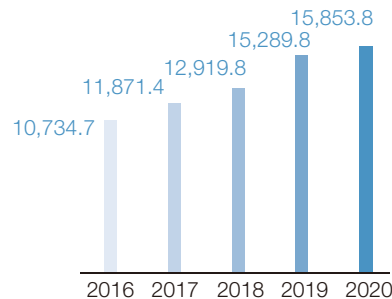
0.13

## As at December 31, 2020

Total assets  
RMB in millions  
108,141.5



Total equity  
RMB in millions  
15,853.8



Net assets  
per share  
RMB yuan/share

1.73

Net interest margin

2019	2020
3.17%	3.17%

Average yield of  
interest-earning assets

2019	2020
7.23%	7.03%

Net interest spread

2019	2020
2.65%	2.69%

Weighted average return  
on net assets  
2020

7.45%

Asset-liability ratio

As at December 31, 2020

85.34%

NPA ratio

As at December 31, 2020

1.10%

## Financial Summary

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	For the year ended December 31				
	2020	2019	2018	2017	2016
	(RMB in millions, except percentages)				
Total revenue	7,915.0	7,144.9	5,332.3	4,036.8	3,163.7
Total revenue and other income, gains or losses	8,545.1	7,449.0	5,565.4	4,287.7	3,294.0
Interest expenses	(3,676.1)	(3,331.3)	(2,316.3)	(1,524.2)	(1,224.5)
Total expenses	(7,056.9)	(5,647.9)	(3,810.0)	(2,638.4)	(2,180.7)
Profit before income tax	1,488.2	1,801.1	1,755.3	1,649.3	1,113.3
Income tax expenses	(372.2)	(446.2)	(444.1)	(398.1)	(264.3)
Profit for the year	1,116.0	1,354.9	1,311.3	1,251.3	849.0
Earnings per share attributable to ordinary shareholders of the Company (RMB yuan/share)					
— Basic	0.13	0.16	0.17	0.17	0.16
— Diluted	N/A	0.16	N/A	N/A	N/A
<b>Profitability indicators</b>					
Return on average assets <sup>(1)</sup>	1.08%	1.50%	1.84%	2.35%	2.18%
Weighted average return on net assets <sup>(2)</sup>	7.45%	9.92%	11.49%	12.10%	13.10%
Cost-to-income ratio <sup>(3)</sup>	10.93%	10.78%	11.52%	10.85%	12.04%
Profit margin before tax and provision <sup>(4)</sup>	43.16%	43.24%	47.27%	55.55%	52.80%
Net profit margin <sup>(5)</sup>	14.10%	18.96%	24.59%	31.00%	26.84%
<b>Profitability indicators of assets</b>					
Average yield of interest-earning assets <sup>(6)</sup>	7.03%	7.23%	6.66%	6.42%	6.82%
Of which: finance lease business <sup>(7)</sup>	7.36%	7.54%	6.83%	6.63%	7.02%
Average cost of interest-bearing liabilities <sup>(8)</sup>	4.34%	4.58%	4.66%	4.41%	4.66%
Net interest spread <sup>(9)</sup>	2.69%	2.65%	2.01%	2.02%	2.15%
Net interest margin <sup>(10)</sup>	3.17%	3.17%	3.16%	3.31%	3.40%

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	As at December 31				
	2020	2019	2018	2017	2016
	(RMB in millions, except percentages)				
<b>Non-current assets</b>	<b>52,279.2</b>	47,897.8	38,638.6	28,526.8	25,073.3
Receivables from finance lease business <sup>(Note 1)</sup>	40,883.6	37,934.9	30,824.7	22,212.6	22,035.9
Property and equipment	7,154.2	4,730.0	4,217.4	1,578.2	377.0
<b>Current assets</b>	<b>55,862.3</b>	51,149.5	43,472.8	32,162.0	20,907.2
Receivables from finance lease business <sup>(Note 1)</sup>	42,742.3	36,950.4	30,828.0	21,323.5	14,519.3
<b>Total assets</b>	<b>108,141.5</b>	99,047.3	82,111.4	60,688.8	45,980.6
<b>Current liabilities</b>	<b>48,362.6</b>	46,183.7	35,083.0	24,338.7	16,650.7
Borrowings	22,205.2	19,660.8	18,162.1	15,116.2	13,220.0
Bonds payable	18,408.9	20,114.2	12,856.9	6,074.4	1,179.3
<b>Total equity</b>	<b>15,853.8</b>	15,289.8	12,919.8	11,871.4	10,734.7
Equity attributable to owners of the Company					
— Ordinary shareholders	14,278.3	14,035.9	11,187.8	10,191.4	9,057.6
— Other equity instrument holders	1,523.8	1,237.2	1,237.0	1,235.3	1,229.5
Non-controlling interests	51.7	16.7	495.0	444.7	447.6
<b>Non-current liabilities</b>	<b>43,925.1</b>	37,573.8	34,108.6	24,478.7	18,595.2
Borrowings	21,796.4	18,096.4	12,836.5	9,691.6	11,235.6
Bonds payable	13,951.1	11,332.8	14,594.8	9,970.0	3,820.1



## Financial Summary

	As at December 31				
	2020	2019	2018	2017	2016
	(RMB in millions, except percentages)				
<b>Net assets per share</b>					
<b>(RMB yuan/share)<sup>(Note 2)</sup></b>	<b>1.73</b>	1.70	1.60	1.46	N/A
<b>Solvency indicators</b>					
Asset-liability ratio <sup>(11)</sup>	<b>85.34%</b>	84.56%	84.27%	80.44%	76.65%
Gearing ratio <sup>(12)</sup>	<b>481.66%</b>	452.62%	452.41%	344.12%	274.39%
<b>Asset quality indicators</b>					
NPA ratio <sup>(13)</sup>	<b>1.10%</b>	1.08%	0.94%	0.93%	1.10%
Allowance coverage ratio for NPAs <sup>(14)</sup>	<b>255.16%</b>	265.19%	339.05%	335.92%	299.73%

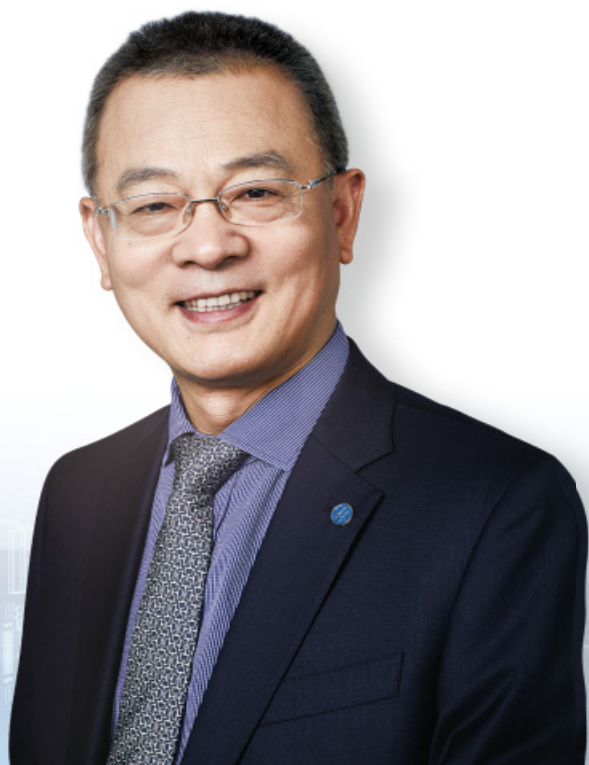
Note 1: Receivables from finance lease business include finance lease receivables and receivables arising from sale and leaseback arrangements.

Note 2: As the Company was converted into a joint stock company in 2017, net assets per share at the end of 2016 are not applicable.

- (1) Calculated by dividing profit for the year by the average balance of total assets at the beginning of the year and the end of the year.
- (2) Profit of the year attributable to ordinary shareholders/(equity attributable to ordinary shareholders at the beginning of the year + profit of the year attributable to ordinary shareholders/2 + the addition of total equity attributable to ordinary shareholders arising from issue of new shares or conversion of debt into equity during the reporting period \* the number of months from the next month immediately after the addition of total equity to the end of the reporting period/number of months during the reporting period – the reduction of total equity attributable to ordinary shareholders arising from repurchase of shares or dividend distribution during the reporting period\* the number of months from the next month immediately after the reduction of total equity to the end of the reporting period/number of months during the reporting period).
- (3) Calculated by dividing the sum of depreciation and amortization (excluding depreciation and amortization of aircraft held for operating lease business), staff costs and other operating management related expenses by the total revenue and other income, gains or losses.
- (4) Calculated by dividing profit before income tax and provision by the total revenue.
- (5) Calculated by dividing profit for the year by the total revenue.
- (6) Calculated by dividing interest income by the average balance of interest-earning assets. Interest income is the sum of (i) income from finance lease business, (ii) factoring interest income, and (iii) entrusted loan and other loan interest income. Interest-earning assets consist of receivables from finance lease business, factoring receivables, entrusted loans and other loans (excluding assets related to other business such as operating leasing business). Average balances are calculated based on balances as at the end of last year and the middle and the end of the year. In this Report, the balances of interest-earning assets used in such calculation represent the balance of receivables from finance lease business, factoring receivables and entrusted loans and other loans before deduction of allowances for impairment losses.
- (7) Calculated by dividing income from finance lease business by the average balance of receivables from finance lease business. The average balance of receivables from finance lease business represents the average balance of receivables from finance lease business before deduction of allowances for impairment losses as at the end of last year, the middle and the end of the year.

- (8) Calculated by dividing interest expenses by the average balance of interest-bearing liabilities. Interest-bearing liabilities consist of borrowings, bonds payable, business deposits and notes payable, excluding the interest-bearing liabilities related to other business such as operating leasing business. Average balances are calculated based on balances as at the end of last year and the middle and the end of the year. The balances of borrowings and bonds payable used in such calculation represent the outstanding principal amounts of such borrowings and bonds payable.
- (9) Calculated as per the difference between the average yield of interest-earning assets and the average interest rate of interest-bearing liabilities (excluding other business such as operating leasing business).
- (10) Calculated by dividing net interest income (excluding other business such as operating leasing business) by the average balance of interest-earning assets calculated based on balances as at the end of last year and the middle and the end of the current year.
- (11) Calculated by dividing total liabilities by total assets.
- (12) Calculated by dividing total debt by total equity. The total debt consisted of borrowings and bonds payable.
- (13) Represented the percentage of NPAs in the balance of interest-earning assets before deduction of allowances for impairment losses.
- (14) Calculated by dividing allowances for impairment losses of interest-earning assets by the balance of non-performing interest-earning assets.

# Chairman's Statement



**DING Xueqing**  
*Chairman and  
executive Director*

2020 was a momentous and decisive year for building a moderately prosperous society in all aspects and realizing the first Centenary Goals. It was also an extraordinary year. Stricken by the sudden outbreak of COVID-19 pandemic ("COVID-19") worldwide, countries around the world experienced stagnant production, lackluster consumption and dampened trading. Coupled with the continuous international economic and trade frictions, the global economy has fallen into a recession. In response to the severe challenges and difficulties, the Chinese government has promptly implemented targeted and comprehensive measures to organize and promote pandemic prevention and control as well as economic and social development, and the achievements were remarkable. China was the first to resume its production and day-to-day life and achieved recovery growth of its economy rapidly. China was the only major economy in the world that managed to achieve economic growth, demonstrating the strong economic vitality and resilience of China.

In 2020, in response to such challenges, the Group 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 actively making contribution to the economic and social stability and the COVID-19 prevention by leveraging on our financial strengths. Great efforts have been made in promoting high quality development of the Company to ensure stable operation, income and asset quality and create impressive financial values for Shareholders. In 2020, total assets of the Group scaled up to reach RMB100 billion. Our total revenue amounted to RMB7,915.0 million, representing a year-on-year increase of 10.8%, and profit of the year amounted to RMB1,116.0 million. Our achievements in the previous year would not have been made without the support from Shareholders and the society as well as the efforts of our management

and employees, to which I would like to express my sincere gratitude on behalf of the Board.

Enterprises bears more social responsibilities during difficult time. In 2020, we actively fulfilled our social responsibilities by providing more targeted services for the real economy and financing services to micro, small and medium enterprises and built a positive enterprise image, contributing to the harmonious development of the economy, society and the environment. The Group implemented comprehensive and effective pandemic control measures, resulting in zero infection among our employees. We also attached high importance to the physical and mental health, skills upgrading and career development of employees. We actively promoted the knowledge of the prevention and control of COVID-19 and organized training, cultural and physical activities for our employees to further enhance their cohesion. In active response to the social needs for pandemic prevention, 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. Aiming to overcome difficulties together with our customers, we formulated a policy on rental payment extension and supported reputable customers to navigate through difficult times. We also provided diversified services of inclusive finance for micro, small and medium enterprises in order to facilitate the transformation and upgrade of advanced manufacturing industries and support the development of sectors relating to public welfare such as transportation, medical care and environmental protection. In 2020, the MSE Business Department of the Company dealt with more than 11,800 businesses for micro, small and medium enterprises with a financing amount of over RMB8 billion. We actively participated in and organized social public welfare and charitable activities, including the promotion of poverty alleviation and charity through leasing projects, donations and paired support. 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 combating COVID-19. In 2020, the Company was awarded, among others, the Top 10 Innovative Cases (十佳創新案例), the Contribution Award for Combating COVID-19 (抗擊新冠肺炎疫情貢獻獎) and the Contribution Award for Poverty Alleviation (扶貧貢獻獎) by Shanghai Leasing Industry Association.

In 2020, the Board of the Company was devoted to safeguarding the interests of Shareholders and maximizing Shareholders' value by diligently performing its duties and continuously refining the corporate governance system. In order to facilitate the stable operation of our corporate governance system and further improve our governance standard, two additional independent directors have been appointed, the second sessions of the Board of Directors and Board of Supervisors have been established, and the performance of the Board of Supervisors' duties has been strengthened. Leveraging 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. In 2020, the Company distributed annual dividend for 2019 and interim dividend for 2020 to its Shareholders and proposed profit distribution for the year of 2020 at the Shareholders' general meeting to ensure stable and reasonable return for Shareholders. In 2020, the Company held 3 Shareholders' general meetings, 12 Board meetings and 6 professional committee meetings. The Board considered 43 resolutions of the Company regarding business development, asset transactions, donations, system improvement, review of reports, profit distribution, election of new session of the Board, senior management recruitment, establishment of subsidiaries, authorization for provision of guarantees, authorization for investment, authorization for additional issuance of shares and changes on corporate information. In general, all decisions were made in the interest of

## Chairman's Statement

Shareholders according to the development needs of the Group. All Directors performed their duties loyally, diligently, legally and efficiently, which greatly facilitated the smooth implementation of the Group's business management and operations and the execution of strategies.

Looking forward to 2021, in view of the complicated and ever-changing global economic and trading conditions as well as the uncertainties regarding the evolution and spreading of COVID-19, the conflicts between countries in terms of trading and technologies and the changes in geopolitical situation, the outlook and persistence of global economic recovery remains fragile. Nonetheless, the sustainable development of China will remain relatively strong in spite of the uncertainties worldwide. The Chinese government will continue to implement proactive financial policy and stable monetary policy and further promote the reform and liberalization to establish a new development pattern. All of these measures will bring new opportunities and markets for the Group to provide better leasing services for the real economy. In addition, as a large-scaled and professional leading leasing company with considerable resources, the Group's development benefits from the increasingly centralized regulation on, and orderly development of, the leasing industry and high industry concentration.

China has entered the 14th Five-Year Plan period and we are at the historical intersection period of China's Two Centenary Goals. In response to changes and in line with the overall situation, we will formulate comprehensive plans to serve the new dual circulation development pattern and facilitate the new journey of high quality development of the Company. In 2021, through seizing opportunities and working together, we will be able to create a win-win situation and share the achievements, creating diversified and high value for our Shareholders and employees as well as the stable social and economic development.

**DING Xueqing**

*Chairman and executive Director*

March 30, 2021

# General Manager's Statement

**ZHOU Jianli**  
*Executive Director and  
General Manager*



In 2020, the economic and social development at home and abroad remained complicated, resulting in significantly growing uncertainty and instability. The pandemic had a profound impact on the global economic development and industrial pattern. The Chinese government effectively contained the pandemic with determination and decisive measures to maintain a stable society. China recovered rapidly after the economic halt and led the global economic recovery. In 2020, the Group turned unprecedented challenges into opportunities. Seizing the opportunities from economic recovery and transformation, the Group served the real economy and contributed to financial anti-pandemic work more effectively with forward-looking planning, responsive strategic adjustment and excellent execution.

In 2020, we took efficient measures in response to pandemic impact, changes in development trends, intensified industrial competition, increased credit risks and other serious challenges. The Group adhered to the operating strategies of “cross-border thinking, promoting innovation, strengthening our capacity and grasping business opportunities”. Based on development strategy of “One Body, Two Wings; One Big and One Small”, the Group effectively served the real economy and supported the pandemic prevention and control. The following good results were achieved in terms of stable profitability, overall growth, risk control, business expansion and financing guarantee.

## General Manager's Statement

- (1) Our work and business resumed in a safe and orderly manner with a stable growth in the overall revenue. In 2020, in response to the pandemic impact, the Group accelerated the application of financial technology (“fin-tech”) to integrate online and offline services. Our total revenue was RMB7,915.0 million, representing a year-on-year increase of 10.8%.
- (2) The Group efficiently improved quality and reduced costs to maintain stable profitability. In 2020, profit for the year of the Group was RMB1,116.0 million. The slight decrease in profit was mainly attributable to the fact that we strived to support the customers who were affected by the 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.
- (3) Leveraging on our capital strength, our total assets exceeded 100,000 million. As at December 31, 2020, the total assets of the Group amounted to RMB108,141.5 million, representing an increase of 9.2% as compared with December 31, 2019. The total equity of the Group amounted to RMB15,853.8 million, representing an increase of 3.7% as compared with December 31, 2019.
- (4) We steadily expanded our business and further optimized our asset structure. In 2020, the Group studied and grasped the pandemic market opportunities and changes, and structurally optimized business investment. The Group invested RMB60,440 million in its business, including investments in retail business and institutional business of RMB29,070 million and RMB31,370 million, respectively.
- (5) Our asset quality remained stable and our risk prevention capabilities were strong. In 2020, the Group prospectively optimized asset allocation, strengthened risk prevention and treatment, and enhanced the risk prevention ability. As at December 31, 2020, the NPA ratio and allowance coverage ratio for NPAs of the Group were 1.10% and 255.16%, respectively.
- (6) Capital and assets were well matched and financing costs showed a stable decline. In 2020, the Group proactively grasped opportunities in the capital markets and recorded a financial withdrawal of RMB57,761 million, including a direct financial withdrawal of RMB28,375 million, accounting for 49.12% of the total amount. The average cost of interest-bearing liabilities was 4.34%, representing a year-on-year decrease of 24 basis points.

In 2020, we put great efforts in gaining our internal strengths to further improve our operation management, and enhance our resilience to withstand the economic cycle and lay a solid foundation for sustainable development. With our in-depth study of the post-pandemic market and business opportunities and in line with industrial restructuring trends, we optimized our asset structure and risk profile. We optimized our organizational structure by establishing the Information and Environmental Protection Department and Advanced Manufacturing and Institutional Business Department as well as subsidiaries specialized in MSE business to improve the back-office supporting and management functions of the Company. Fin-tech strategies have been put in place to enhance the efficiency of overall working procedures and effectiveness of management. We also further optimized our comprehensive risk management mechanism. 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 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. We improved our internal control system by formulating and implementing the Rules of Procedures for the Credit Assessment Committee (《信審委員會議事規則》), Rules of Procedures for the Project Assessment Committee (《項目評審委員會議事規則》), Implementation Rules for Compliance Examination (《合規審核實施細則》), Management Measures on Major Issue Reporting (《重大事項報告管理辦法》) and other rules, to refine the management and control of our operation and development.

Looking forward, the medium- and long-term development of the leasing industry will focus on providing leasing services and serving the real economy. Benefiting from the economic growth, industrial structure upgrade and new infrastructure construction in China, encouraged by long-term policies such as the new dual circulation development pattern, enhanced national technology and development of green finance, and supported by inclusive finance empowered by fin-tech, the financial leasing industry in China is still growing stably and shifting to high quality development. On the one hand, the traditional leasing market will grow steadily with upgrades. On the other hand, with huge potential of new leasing markets and segments, the leasing industry will experience highly dynamic development.

In 2021, in response to various uncertainties resulting from the pandemic and the external environment, the Group will raise its awareness of opportunities and risks, formulate scientific operating strategies, implement development

strategies, and take the initiative in operation management, in order to improve our viability, competitiveness, development and sustainability. The Group will take routine measures on the prevention and control of the pandemic and promote business development in the post-pandemic era. 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 plans to grasp market opportunities in the post-pandemic era. Being traditional and innovative, we will optimize the integration and allocation of resources, deepen the application of fin-tech and adopt innovative business models to seize new business opportunities. We will strengthen our advantages, and promote stable and high quality development of the Group, so as to become a financial leasing group that leads industry innovation and boasts competitive edges in the capital market.

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

**ZHOU Jianli**

*Executive Director and General Manager*

March 30, 2021



# Management Discussion and Analysis

## 1. OPERATION OVERVIEW

### MACROECONOMY

In 2020, as affected by the COVID-19, countries around the world experienced stagnant production, lackluster consumption and dampened trading. As a result of the continuous international economic and trade frictions, the global economy has fallen into a recession. The financial market has experienced rising volatility as quantitative easing was adopted in global fiscal. The disruption of the international industry and supply chains and the rising tide of protectionism and unilateralism posed challenges to globalization. The combined effect of various uncertainties hindered the recovery of the global economy in recession.

Since the COVID-19 outbreak, in the face of severe challenges and great difficulties, 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, China was the first to restore its the production and day-to-day life. The economy has been improving and has resumed rapid growth. In the long run, benefiting from positive factors including the continuous implementation of the new development principles of China and new dual-cycle development pattern, government initiatives of “Six Supports” and “Six Stabilizations”, solid economic foundation laid 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 2020, the outstanding economic and social development achievements of China attracted worldwide attention as it was the only major economy that managed to achieve economic growth and became a momentum of the recovery of global economy. In 2020, the GDP of China recorded a year-on-year increase of 2.3% and exceeded RMB100,000 billion. On a quarter-on-quarter basis, the GDP decreased by 6.8% in the first quarter and increased by 3.2%, 4.9% and 6.5% in the second quarter, third quarter and fourth quarter, respectively, since the economy bounced back in the second quarter. In terms of industries, the output growth of the primary, secondary and tertiary industries recorded year-on-year increases of 3.0%, 2.6% and 2.1%, respectively. As industrial production maintained its growth, the output growth of major manufacturing sectors recorded a year-on-year increase of 2.8%. The output growth of high-tech manufacturing industry and equipment manufacturing industry recorded year-on-year increases of 7.1% and 6.6%, respectively.

- In respect of investment, the overall investment activities saw gradual improvement and investment in high-tech industries and social sectors recorded a rapid growth. Fixed-asset investment in China in 2020 amounted to RMB51.89 trillion, representing a year-on-year increase of 2.9%. The growth of investment in manufacturing and infrastructure recorded a year-on-year decrease of 2.2% and a year-on-year increase of 0.9%, respectively. The growth of investment in high-tech industries recorded a year-on-year increase of 10.6%. The growth of investment in social sectors recorded a year-on-year increase of 11.9%, which was 9.0 percentage points higher than the growth of overall investment. The growth of investment in healthcare and education recorded year-on-year increases of 29.9% and 12.3%, respectively.

- In respect of consumption, the total retail sales of consumer goods (the “total retail sales”) in China in 2020 amounted to RMB39.20 trillion, representing a year-on-year decrease of 3.9%. As market sales achieved rapid recovery, the total retail sales saw a gradual quarter-on-quarter improvement and increased by 0.9% and 4.6% in the third quarter and fourth quarter, respectively. The growth of online consumption was stimulated by COVID-19 and online retail sales for the year amounted to RMB11.76 trillion, representing a year-on-year increase of 10.9%.
- In respect of international trade, the total volume of imports and exports in 2020 amounted to RMB32.16 trillion, representing a year-on-year increase of 1.9% and reflecting a better-than-expected growth. 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 7.0% and ASEAN became the largest trade partner of China. The total volume of China’s imports from and exports to the European Union, United States, Japan and Korea increased by 5.3%, 8.8%, 1.2% and 0.7%, respectively. The total volume of China’s imports from and exports to countries covered in the Belt and Road Initiative amounted to RMB9.37 trillion, representing an increase of 1.0%. The import and export volume of private enterprises recorded a significant year-on-year increase of 11.1%, accounting for 46.6% of the total value of foreign trade. Private enterprises remained the top contributor to foreign trade and played a prominent role in maintaining the growth of foreign trade.

In respect of the financial environment, in 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 significantly, while liquidity remained reasonable and adequate. Financing conditions continued to optimize, which effectively reduced social financing cost. As at December 31, 2020, the balance of broad money (the “M2”) amounted to RMB218.68 trillion, representing a year-on-year increase of 10.1%, which was 1.4 percentage points higher than last year. The scale of social financing has significantly recovered. In 2020, the amount of new social financing amounted to RMB34.86 trillion, representing a year-on-year increase of RMB9.19 trillion. China continued to deepen its LPR reform. As at December 31, 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

2020 was an important year in the history of supervision of financial leasing industry as the CBIRC 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》) in June 2020 and local governments successively issued certain important provisions. The aforesaid provisions provide financial leasing companies with guidelines on, among others, business operation rules and risk monitoring indicators, so as to ensure the compliance of operation and enhance the risk prevention and control capabilities of financial leasing companies and further refine the supervision and administration of financial leasing industry.

## Management Discussion and Analysis

Adhering to the principles of “compensating for shortcomings, tightening supervision, preventing risks and imposing regulation”, the new regulatory provisions aim to encourage financial leasing companies to focus on their principal business activities and enhance the risk prevention capabilities of such companies by introducing regulatory indicators, such as the proportion of financial lease assets, the proportion of fixed-income securities investment, concentration as well as correlation. In addition, the new provisions aim to ensure the orderly development of financial leasing industry by strengthening and optimizing the in-progress and post-supervision. In 2020, regulatory authorities put great efforts in eliminating financial leasing companies with abnormal operations, such as “inaccessible companies” and “shell companies”, and promoting the development objectives of “quality over quantity”, in order to maintain sound development of the industry. We believe that the tightened regulatory environment will create a better environment for business operation for high-quality financial leasing companies.

### INDUSTRY CONDITIONS

In 2020, as affected by the COVID-19, recession of the macroeconomy, tightening corporate risk control and other factors, the growth of the leasing industry continued to slacken. As at December 31, 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 12,156, representing an increase of 26, or 0.21%, as compared to 12,130 as at the end of 2019. The balance of financial lease contracts in China amounted to approximately RMB6,504.0 billion, representing a decrease of 2.3% as compared to the end of 2019.

Benefiting from the economic growth, industrial structure upgrade and new infrastructure construction (“new infrastructure construction”) in China, the financial leasing industry in China is still growing stably and starts shifting to high-quality development in the medium- to long-run. Traditional leasing industry maintains its stable growth while new leasing market and new segments have huge potential for development and remain resilient. Currently, the development of financial leasing companies shows the following new trends:

- (1) **Clear direction for development:** Industrial policies and regulations further encourage leasing companies to focus on providing leasing services and serving the real economy. Leasing industry is putting efforts in supporting the development and transformation of MSEs;
- (2) **Optimized external environment:** Benefiting from the increasingly centralized regulation on the leasing industry and market-oriented competition, 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;
- (3) **Expanded business coverage:** Major policies, such as new dual circulation development pattern, building up national strategic scientific and technological strength, new infrastructure construction, and achieving peak in carbon emissions and carbon neutral, have brought new opportunities for the expansion of leasing business. Consumption and strategic emerging industries, high-end manufacturing industry and public service sectors have potential for growth. Leasing companies are innovating their business models to develop specialized leasing business with distinctive features;

- (4) **Leasing empowered by technology:** The services to customers such as micro, small and medium enterprises and retail customers provided by leasing companies are further empowered by fin-tech. Leasing companies are putting great efforts in promoting informalization, in order to facilitate their decision-making, business development, management, innovation and risk control with fin-tech and provide scenario-oriented, batch-oriented and quick services with the support of fin-tech.

Stricken by COVID-19, the capital chain and supply chain of certain customers have faced challenges. The operation and profitability of enterprises have been adversely affected and credit risks of enterprises have increased. As a result, the overall development of the leasing industry is facing serious challenges, such as slowdown of the market development, 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.

## 2. DEVELOPMENT REVIEW

In 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, 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. The Company maintained its strictly COVID-19 prevention measures in its daily operation although the spread of COVID-19 has stabilized. The Company also imposed travel restriction, nucleic acid testing and other contingent measures based on the latest situation of COVID-19 across China.

In order to support the regions stricken by COVID-19, the Company donated RMB3 million upon approval of the Board. In addition, the Company organized employee charitable 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 charitable activity for donating sympathy gifts and precautionary supplies to frontline workers who were fighting against COVID-19 in Huangpu District.

## Management Discussion and Analysis

In 2020, in response to COVID-19, the Company launched specific customer services and supporting policies to assist MSEs, manufacturers of precautionary materials, logistics and transportation companies, and other enterprises and individuals assisting in fighting against COVID-19 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 the COVID-19 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; and (4) remote online business processing and customer services were introduced to maintain service efficiency and stability.

### **MAINTAINING THE STABILITY OF SCALE AND REVENUE BY COPING WITH CHALLENGES BROUGHT BY COVID-19 WITH VARIOUS MEASURES**

In 2020, the Group thoughtfully assessed and analyzed the prevailing situation and made prompt responses. The Group maintained sound and stable development and achieve steady growth. Through comprehensive measures to alleviate the impact of COVID-19 and to resume business operation gradually, the Group coordinated online and offline services to increase the level and efficiency of business operation and to establish an ecosystem for customers. The Group was able to maintain a steady growth of its assets and capital. As at December 31, 2020, the total assets and total equity of the Group amounted to RMB108,141.5 million and RMB15,853.8 million, respectively, representing an increase of 9.2% and 3.7%, respectively, as compared with December 31, 2019. In 2020, the total revenue of the Group amounted to RMB7,915.0 million, representing an increase of 10.8% compared with last year. The average yield of interest-earning assets was 7.03%. The profit for the year of the Group amounted to RMB1,116.0 million, representing a decrease of 17.6% compared with last year. The weighted average return on net assets was 7.45%.

### **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. The Group focused on the development of business related to manufacturing, infrastructure, transportation & logistics and other key sectors and improved its services to high quality MSEs & retail customers by capitalizing on fin-tech. 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 successfully attracted high quality customers and retained existing customers and achieved a breakthrough in terms of investments in business. In 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 RMB60,440 million in its business, representing an increase of 4.6% compared with the same period last year, including investments in retail business and institutional business of RMB29,070 million and RMB31,370 million, respectively, achieving a balanced development between MSEs and LMEs.

### **DIVERSIFIED FINANCING CHANNELS BY LEVERAGING ON ITS CREDIT ADVANTAGES AND MAINTAINING THE BALANCE OF ASSETS AND LIABILITIES STRUCTURE**

The Group continued to develop diversified and stable financing channels and introduced innovative financing instruments and methods to effectively safeguard the business operation of the Group. 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 December 31, 2020, the Group established credit relationships with 71 financial institutions and signed accumulative credit lines of approximately RMB111.2 billion, of which the unused credit balance was approximately RMB47.3 billion. In respect of innovative financing instruments, the Group issued the first asset-backed notes for listed companies for the purpose of the prevention and control of COVID-19 in March 2020, with an aim to raise fund to support entities and enterprises which were fighting against COVID-19.

In 2020, leveraging on its increasingly optimized financing conditions, the Group recorded a financing withdrawal of RMB57.761 billion. Indirect financing withdrawals of RMB29.386 billion were realized through channels such as syndicated loans, bank acceptance bills and bank bilateral loans, accounting for 50.88% of the total financing amount; direct financing of RMB28.375 billion were realized through issuance of ABS of RMB10.725 billion, ultra short-term financing bonds of RMB9.0 billion, public equity corporate bonds of RMB3.0 billion, private equity corporate bonds of RMB2.7 billion, medium-term notes of RMB1.5 billion, asset-backed notes of RMB0.95 billion and short-term financing bonds of RMB0.5 billion, accounting for 49.12% of the total financing amount. With diversified financing channels, the financing cost of the Company continued to decrease. In 2020, average cost of interest-bearing liabilities of the Company was 4.34%, representing a decrease of 24 basis points as compared with the same period last year.

### **STRENGTHENING RISK RESISTIBILITY THROUGH IMPROVING PROACTIVE RISK MANAGEMENT SYSTEM**

The Group continued to improve its comprehensive risk management system covering all procedures, segments and aspects, implemented proactive risk management, adjusted its risk management strategies in a timely manner, embedded various risk management throughout 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 proactive asset allocation management in response to risk events and increased efforts in asset disposals.

The emphasis of the support was placed on the introduction of projects in sectors of higher risk tolerance, such as infrastructure and construction. Greater support was given to customers in the sectors such as information technology ("IT"), medical and advanced manufacturing. The Group also paid close attention to and continuously monitored the operating conditions of customers and 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. During the Reporting Period, the overall asset quality of the Group remained stable and the NPA ratio was maintained at a safe and controllable level with stronger risk resistibility. As at December 31, 2020, the NPA ratio and allowance coverage ratio for NPAs was 1.10% and 255.16%, respectively.

### **STRENGTHENING COMPLIANCE MANAGEMENT OF ALL EMPLOYEES AND CONTINUOUSLY IMPROVING THE COMPLIANCE GOVERNANCE SYSTEM**

The Group continued to adhere to its compliance concept of “compliance in operation and of all employees and the management, as compliance is vital for creation of value and fundamental for the existence of the Company”. The compliance management was strengthened in various aspects such as improvement of systems and regulations and supervision of implementation of systems to enhance its compliance governance. In 2020, the Group continued to pay close attention to the changes in regulatory policies on financial and financial leasing industry and proactively took measures to be in compliance with regulatory requirements. The Group also optimized the system management mechanism to strengthen the integration of business and policies in accordance with its business development. The Group also strengthened trainings of basic compliance knowledge to all employees, formulated “Implementation Rules for Compliance Audit” (《合規審核實施細則》) and “Compliance Manual” (《合規手冊》), issued “Monthly Regulatory News” (《監管動態月報》) periodically and conducted research and study on the “Civil Code” (《民法典》), “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》) and other laws and regulations and regulatory system, to further cultivate compliance values and culture, and the compliance awareness among all employees was significantly improved. Through continuous measures such as introducing systems, compliance review, compliance inspections, compliance assessment and adopting compliance accountability system, the implementation of various systems was supervised and the principle of managing employees and events in accordance with the systems was established.

### **STREAMLINING PROCEDURES TO IMPROVE EFFICIENCY, PUTTING EFFORTS IN RAISING QUALITY AND EFFICIENCY AND REDUCING COSTS**

We have consolidated and optimized our organizational structure and business positioning to improve the specialized management and service capabilities of all business units. We also promoted the sustainable development of specialized leasing business. To continuously optimize the internal management, we conducted wide-ranging business training to promote efficient cooperation among the front, middle and back office and the supportive and management functions. In addition, we further promoted the fin-tech strategies to improve our service efficiency with the use of fin-tech. The handling efficiency of procedures for, and management of, business expansion, project approval and capital investment, and the customer services experience was improved. We further improved our capital management and cost management to balance the financing and capital investment. We also improved the efficacy of our capital use and controlled interests and other expenses to reduce costs while enhancing our efficiency.

## **3. OPERATION OUTLOOK**

In 2021, global fiscal and monetary policies are expected to remain eased. Pandemic prevention and control measures vary from country to country, while the global pandemic situation in the future will be subject to the research and development of and investment in vaccines. The recovery of economies will diverge amid the pandemic. Given the international economic and trade frictions as well as geopolitical changes, although the global economy is expected to show low recovery growth, the prospect and sustainability of the global economy recovery will remain dependent on global cooperation during the post-pandemic era. Looking forward to 2021, the Chinese economy will be likely to continue to grow, while the complicated and changing domestic and foreign environments should be handled with caution.



In November 2020, the Regional Comprehensive Economic Partnership (the “RCEP”), the first multilateral trade agreement in East Asian region, was signed to establish the largest free trade zone in the world. With accelerated and in-depth integration of East Asian economies, regional market demands will be further unleashed and the scale of regional trade is expected to further expand. In December 2020, the negotiations of the China-EU Comprehensive Agreement on Investment (the “CAI”) were concluded. Under the CAI, a China-EU bilateral investment system will be established to facilitate bilateral market openness, and trade and investment liberalization. Opportunities arising from the RCEP and CAI will promote a higher level of bilateral openness of China and consolidate the position of China in economic globalization.

In 2021, China will maintain the consistency, stability and sustainability of its macro policies. Proactive financial policies and prudent monetary policies with flexibility, accuracy, rationality and moderation will be implemented to provide necessary support for economic recovery. China will continue to make an effort to accomplish the tasks of “Six Stabilizations” and “Six Supports”. Measures such as supportive policies for innovation, tax and surcharge reduction, provision of financial services for the real economy and optimization of business environment will facilitate the development of major markets. Enhancement of investment in traditional and new infrastructure will stimulate the digital economic boom, the upgrade of manufacturing industry and the development of emerging industries. Strategic support for science and technology will be enhanced to ensure smooth circulation of industry and supply chains in an independent and controllable manner. Domestic demand will continue to be expanded to facilitate highly dynamic balance between supply and demand.

In the long run, the development of China is still in an important period of strategic opportunities. China will uphold its new development principles which emphasize the supply-side structural reform and demand-side management. 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. The formation of a new development pattern which is based on domestic macro-circulation, along with international and domestic dual-circulation and mutual promotion, will be accelerated to fully pursue quality development of the economy. Therefore, as the long-term favorable trends of supporting the upgrade of influence, innovation, opening-up, market and industry of China remain basically unchanged, the economy of China will continue to be dynamic, substantially resilient and full of development potential.

In 2021, the Group will pay close attention to the domestic and international economic conditions and the impact of the pandemic and continue to adhere to the principle of providing real economy with financial services. Regular precautionary measures and operation development initiatives in the post-pandemic era will be coordinated and adopted. The Group will be committed to its development strategies, integrate internal and external resources, optimize resources allocation, strengthen risk prevention and control, and deepen the application of IT and fin-tech. Efforts will be made to embrace development challenges and steer the direction of business restructuring. The Group will strengthen its business advantage and explore new development opportunities to comprehensively and deeply satisfy the new needs of customers. 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.



### **IMPLEMENTING 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 diversified customer base, such as LME, MSE and retail customers, so as to facilitate the mutual benefits between LMEs and MSEs 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 seize the opportunities from the domestic circulation such as infrastructure investment, expansion of domestic consumption demand and independent circulation of the manufacturing industry, and capitalize on the advantages of our business and talents to enhance project development in key industries. 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 digital infrastructure, urban infrastructure, public service facility, 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. We will continue to develop the equipment leasing business for MSEs in manufacturing industry. In addition, we will further tap into the inclusive finance with fin-tech 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.

### **EXPANDING SALES AND SERVICE NETWORK BY “ONE BODY, TWO WINGS” BUSINESS DEVELOPMENT MODEL AND STRENGTHEN THE COLLABORATION AMONG OUR BUSINESS UNITS**

We intend to further improve our sales and service network by “One Body, Two Wings” business development model and strengthen the collaboration among our business headquarters, branches and subsidiaries. We will deepen the construction of localized marketing network, strengthen business guidance and establish business teams, and implement reforms of branches to facilitate the hierarchical management of branches. 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 business 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 and enhance our operational positioning in regional markets to maintain 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.

By developing subsidiaries specialized in MSE business, we will leverage on favorable national policies to MSEs 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. We will strengthen the concept of “finance empowered by technology” by continuously coordinating fin-tech and MSE business operation and explore possibilities of the application of fin-tech in improving customer experience, analyzing operation of customers and assets monitoring and alert, so as to establish a data base for MSE customers. We will enhance innovation in new business model, and improve, replicate and promote corporation model with leading companies such as Huawei by the use of supply chain finance. Through the promotion of our direct leasing experience and model for the manufacturing industry in the engineering machinery and MSE healthcare sectors, we will expand and consolidate the cooperation with core manufacturers, so as to provide a driving force for the scalable development of MSEs.

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 will also be optimized. Seizing the demand opportunities from new infrastructure and the post-pandemic era, we will study and adapt to the new situation of changing market and customer base of passenger vehicles, in order to strengthen risk management of products towards specific risks. We will offer choice of commercial vehicle types and brands according to the characteristics of regional policies and economies, and improve province-based customer acquisition and credit review capabilities. A hierarchical and classified management system of providers and dealers will be launched and improved, and the integrated management of asset selection before lease and asset maintenance after lease will be strengthened to achieve stable growth and improved return through refined management.

## Management Discussion and Analysis

Shanghai Dingjie Construction Development Co., Ltd., our subsidiary, will further enhance the entire life cycle management of existing PPP 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, we 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.

### **DEEPENING THE OPERATING CONCEPT OF INVESTMENT BANKS AND PROMOTING INNOVATIVE AND PROFESSIONALIZED BUSINESS DEVELOPMENT**

By complying with the best practices of investment banking and continuing our in-depth research on the market demand and business condition in the post-pandemic era, 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 asset layout.

Our operation is customer-oriented. While developing our major industry sectors, we will continue to provide innovative products and services based on customer needs by strengthening the collaboration with financial institutions and industry alliances, promoting assets transactions and structural financing, 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. Capturing the business opportunities from the new dual circulation development pattern, new infrastructure and enhanced national strategic technological capabilities and other policies, we will adopt a compliant and innovative business model to develop professional and specialized leasing business. By promoting the business expansion of manufacturing, IT (including 5G, electronics, IDC and others) energy saving and environmental protection and other emerging sectors, 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.

### **CONTINUOUSLY IMPROVING THE COMPREHENSIVE RISK MANAGEMENT SYSTEM AND STRENGTHENING 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 comprehensive risk management system with the combined effort of risk management and control. We will strengthen our asset inspection in the post-pandemic era and enhance our risk prevention and risk elimination capabilities. 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 overall risk management target, we will continue to maintain the predictability, controllability and tolerance of risks, ensure asset safety and orderly operation of business of the Company within a tolerable range of risks, and promote reasonable allocation and sustainable and sound development of business. We will continue to refine and delineate the functions and responsibilities of the Risk Management Committee and Investment Decision Committee, risk management department, credit assessment department, compliance department, internal control department and other relevant departments to implement coordinated management of key processes in our risk management practices. We will take greater initiative in risk management and compliance management, pay close attention to changes in the regulatory environment, and strictly implement industry regulatory policies and systems. Our refined risk management measures such as risk monitoring, prevention and response will enhance risk management and compliance governance. We will further improve subsidiary and investment management systems to facilitate efficient coordination between the subsidiary and investment management on the one hand and the corporate and compliance management on the other. Our internal control and group management will be strengthened.

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 ability of “quantifying and pricing risk”. Moreover, we will formulate and implement differentiated risk management measures according to the characteristics of different businesses, types of customers, industries, regions and risks. We will also continue to improve our credit risk management methods and tools, stress testing, risk monitoring system and risk reporting system.

### **STRENGTHENING FINANCE PROTECTION AND LIQUIDITY MANAGEMENT AND PROMOTING 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, based on the overall evaluation of capital size, cost, duration and other factors, we will reasonably issue various direct financing instruments, including ABS, corporate bonds, short-term commercial papers, ultra-short-term commercial papers, and medium-term notes. On the other hand, we will timely launch new domestic and overseas financing instruments in accordance with changes in the financing environment and business development needs.

Based on the comprehensive risk management system of the Company, we will adhere to the bottom line of liquidity risk and improve active management of liquidity. 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 and improve dynamic capital management efficiency. We will continue to upgrade capital management system to strengthen the streamlined, informatized and intelligent management of capital settlement and control. In the meantime, we will actively select the investment channels for our idle funds and increase returns on idle funds within our risk tolerance.

### **ENHANCING THE APPLICATION OF IT AND FIN-TECH AND DEEPENING THE NETWORK AND INTELLIGENCE DEVELOPMENT OF MANAGEMENT AND SERVICES**

We will continually promote fin-tech strategic deployment and increase our investments in IT systems. We will study the application of artificial intelligence, financial big data and Internet of Things in decision-making to promote the application of IT and fin-tech. We will improve our information systems' scalability, responsiveness and reliability, and promote the integration of fin-tech and business development and assets disposal by expanding, improving and upgrading the IT infrastructure. With expanded service scenarios and innovative service model leveraging fin-tech, the network, intelligence and convenience of our operation management and customer services will be fully improved so as to provide more secured, efficient and professional inclusive financial services for our customers.

Based on the process of new business layout, we will upgrade 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 overall decision-making, operation management, risk management and internal control. In addition, we will constantly 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.

### **REFINING HUMAN RESOURCES MANAGEMENT SYSTEM AND FACILITATING HARMONIC AND SUSTAINABLE DEVELOPMENT**

Our experienced and visionary management team and advanced talent management system are important competitive advantages which can ensure our continual growth and essential competitiveness as a leader in the PRC financial leasing industry. Based on the general development strategy of the Company, we will further strengthen our professional teams through external recruitment and internal cultivation of leaders with professional, group-based and international experience. 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 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 career growth platform and reasonable and unimpeded career development path. We will also optimize long-term performance assessment and remuneration incentive system. These initiatives will enable our employees to achieve their career development and benefit from the long-term development of the Company, unleash the energy and dedication of human resources, and improve the sense of accomplishment and fulfillment of employees.

## 4. ANALYSIS OF CONSOLIDATED STATEMENT OF PROFIT OR LOSS

### OVERVIEW OF CONSOLIDATED STATEMENT OF PROFIT AND LOSS

The Group realized a total revenue of RMB7,915.0 million for the year ended December 31, 2020, representing an increase of 10.8% as compared with RMB7,144.9 million last year and realized a profit of RMB1,116.0 million in 2020, representing a decrease of 17.6% as compared with RMB1,354.9 million last year.

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

	For the year ended December 31,		Changes
	2020	2019	
	(RMB in millions)		
Total revenue	7,915.0	7,144.9	10.8%
Net investment gains	34.5	3.8	807.9%
Share of result of a joint venture	(40.3)	8.4	(579.8%)
Other income, gains or losses	635.9	291.9	117.8%
<b>Total revenue and other income, gains or losses</b>	<b>8,545.1</b>	<b>7,449.0</b>	<b>14.7%</b>
Depreciation and amortization	(359.0)	(257.0)	39.7%
Staff costs	(585.5)	(546.4)	7.2%
Interest expenses	(3,676.1)	(3,331.3)	10.4%
Other operating expenses	(508.2)	(193.2)	163.0%
Listing expenses	—	(31.5)	(100.0%)
Impairment losses under expected credit loss model	(1,917.5)	(1,272.4)	50.7%
Other impairment losses	(10.6)	(16.1)	(34.2%)
<b>Total expenses</b>	<b>(7,056.9)</b>	<b>(5,647.9)</b>	<b>24.9%</b>
Profit before income tax	1,488.2	1,801.1	(17.4%)
Income tax expenses	(372.2)	(446.2)	(16.6%)
<b>Profit for the year</b>	<b>1,116.0</b>	<b>1,354.9</b>	<b>(17.6%)</b>
Earnings per share attributable to ordinary shareholders of the Company (Expressed in RMB Yuan/share)			
— Basic	0.13	0.16	
— Diluted	N/A	0.16	

## Management Discussion and Analysis

### REVENUE

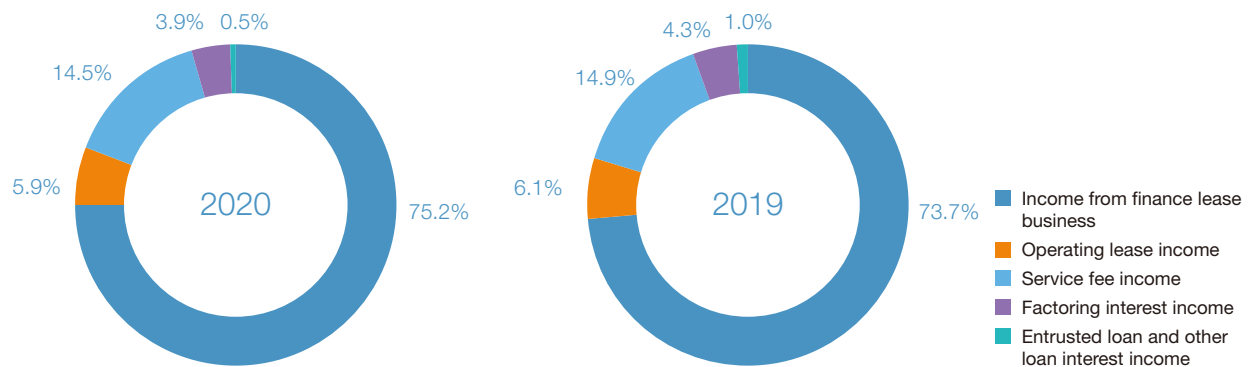
The Group realized a total revenue of RMB7,915.0 million for the year ended December 31, 2020, representing an increase of 10.8% as compared with RMB7,144.9 million last year, which was mainly due to the continuous growth of the overall business scale of the Group. Income from finance lease business, operating lease income, service fee income and factoring interest income have increased when compared with last year.

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

	For the year ended December 31,				Changes
	2020	% of total	2019	% of total	
	(RMB in millions, except percentages)				
Income from finance lease business <sup>(note)</sup>	5,950.0	75.2%	5,268.4	73.7%	12.9%
Operating lease income	464.4	5.9%	433.6	6.1%	7.1%
Service fee income	1,148.8	14.5%	1,065.4	14.9%	7.8%
Factoring interest income	312.1	3.9%	306.2	4.3%	1.9%
Entrusted loan and other loan interest income	39.7	0.5%	71.3	1.0%	(44.3%)
Total revenue	7,915.0	100.0%	7,144.9	100.0%	10.8%

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

## Percentage of total revenue



For the year ended December 31, 2020, income from finance lease business, operating lease income, service fee income and factoring interest income increased mainly due to the proactive investment in business and the expansion of business scale of the Group with focus on providing leasing services. The ratio in total revenue of income from finance lease business increased from 73.7% in 2019 to 75.2% in 2020. Entrusted loan and other loan interest income decreased due to the adoption of prudent business policies.



## Management Discussion and Analysis

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

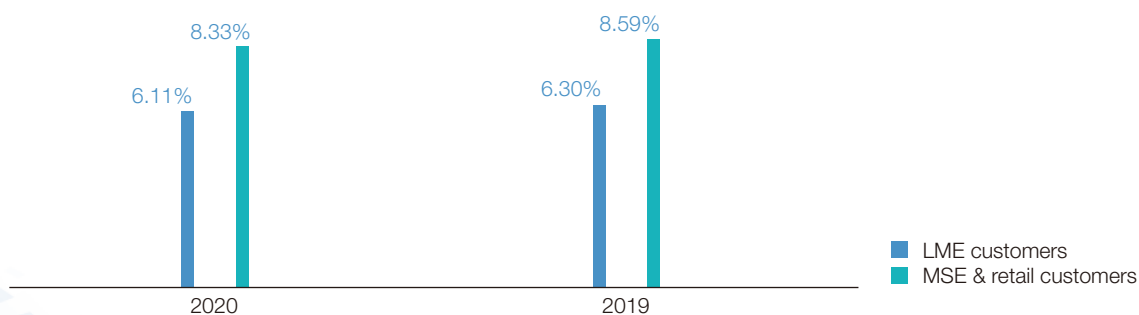
	For the year ended December 31,					
	2020			2019		
	Average balance of interest-earning assets <sup>(1)</sup>	Interest income <sup>(2)</sup>	Average yield <sup>(3)</sup>	Average balance of interest-earning assets <sup>(1)</sup>	Interest income <sup>(2)</sup>	Average yield <sup>(3)</sup>
	(RMB in millions, except percentages)					
LME customers	52,294.4	3,192.6	6.11%	46,414.9	2,925.7	6.30%
MSE & retail customers	37,310.2	3,109.2	8.33%	31,685.0	2,720.2	8.59%
Total	89,604.6	6,301.8	7.03%	78,099.9	5,645.9	7.23%

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

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

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

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



The Group's average yield for the year ended December 31, 2020 was 7.03%, representing a decrease of 0.2 percentage points as compared with 7.23% last year. The decrease in average yield was mainly because the Group duly adjusted its profit expectation from the real economy and put great efforts in supporting enterprises to tide over difficulties according to the policy of the government during the outbreak of the pandemic this year.

## INDUSTRY ANALYSIS

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

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

	For the year ended December 31,					
	2020			2019		
	Average balance of interest- earning assets <sup>(1)</sup>	Comprehensive Income <sup>(2)</sup>	Comprehensive yield <sup>(3)</sup>	Average balance of interest- earning assets <sup>(1)</sup>	Comprehensive Income <sup>(2)</sup>	Comprehensive yield <sup>(3)</sup>
	(RMB in millions, except percentages)					
Transportation & logistics	32,639.0	2,836.9	8.69%	28,940.8	2,516.9	8.70%
Industrials <sup>(4)</sup>	22,329.2	1,982.8	8.88%	15,680.7	1,536.1	9.80%
Infrastructure	8,486.6	610.4	7.19%	9,176.8	640.5	6.98%
Construction	8,992.3	745.8	8.29%	8,035.6	704.4	8.77%
Healthcare	4,297.5	374.0	8.70%	3,798.1	365.9	9.63%
Others <sup>(5)</sup>	12,860.0	900.7	7.00%	12,467.9	947.5	7.60%
<b>Total</b>	<b>89,604.6</b>	<b>7,450.6</b>	<b>8.31%</b>	<b>78,099.9</b>	<b>6,711.3</b>	<b>8.59%</b>

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

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

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

(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) chemical industry, (vii) education and (viii) textile, etc.

## Management Discussion and Analysis

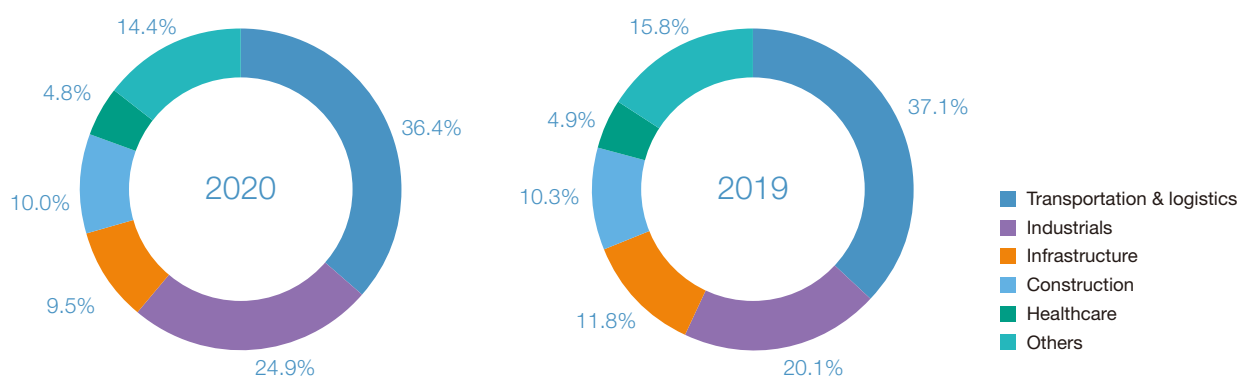
### ANALYSIS BY AVERAGE BALANCE OF INTEREST-EARNING ASSETS

The average balance of interest-earning assets of the Group increased by 14.7% to RMB89,604.6 million for the year ended December 31, 2020 from RMB78,099.9 million last year. Remarkable achievements have been made in the promotion of business in, among others, industrials, healthcare, transportation & logistics and construction. The average balance of interest-earning assets for industrials, healthcare, transportation & logistics and construction increased significantly by 42.4%, 13.1%, 12.8% and 11.9%, respectively, as compared with last year.

#### Average balance of interest-earning assets

89,604.6 (RMB in millions)

78,099.9 (RMB in millions)



### ANALYSIS BY COMPREHENSIVE YIELD

The comprehensive yield of the Group decreased by 0.28 percentage points to 8.31% for the year ended December 31, 2020 as compared with 8.59% 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 introduced high-quality customers through offering certain preferential treatments based on our prudent and proactive risk management approaches. The decrease was also attributable to lower market rates as the government proactively alleviated burdens on enterprises by maintaining reasonably sufficient market liquidity in view of the impact of the pandemic.

# TRANSPORTATION & LOGISTICS



### TRANSPORTATION & LOGISTICS

Our transportation & logistics business includes commercial vehicle leasing, passenger vehicle leasing and modern logistics business. (1) We provide commercial vehicles leasing services, 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 retail 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 the Internet, we have launched our mobile application-based online leasing products since 2015. (3) We provide services to customers in the modern logistics supply chain and the 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. For the year ended December 31, 2020, the average balance of interest-earning assets attributable to our business in the transportation & logistics industry amounted to RMB32,639.0 million, accounting for 36.4% of the average balance of interest-earning assets of the Group and representing an increase of 12.8% as compared with RMB28,940.8 million last year.

For the year ended December 31, 2020, the income from the transportation & logistics industry amounted to RMB2,836.9 million, representing an increase of 12.7% as compared with RMB2,516.9 million last year. The increase in income was mainly due to a continued increase in the business investment in the transportation & logistics segment.

The comprehensive yield of the transportation & logistics industry for the year ended December 31, 2020 was 8.69%, which remained stable as compared with last year.



### INDUSTRIALS

We are committed to serving China's real economy and MSEs in accordance with Chinese government's economic and industrial policies, such as the new development principles, supply-side structural reform and the "Made in China 2025" initiative. We offer comprehensive financing services for customers in the 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 markets and encouraged by government policies. Our major industrial customers consist of large- and medium-sized state-owned enterprise at central and local levels, listed companies, innovative privately-owned enterprises engaging in manufacturing and emerging strategic industries and quality MSEs.

For the year ended December 31, 2020, the average balance of interest-earning assets attributable to our business in the industrials industry amounted to RMB22,329.2 million, accounting for 24.9% of the average balance of interest-earning assets of the Group and representing an increase of 42.4% as compared with RMB15,680.7 million last year.

For the year ended December 31, 2020, the income from the industrials industry amounted to RMB1,982.8 million, representing an increase of 29.1% as compared with RMB1,536.1 million last year, which was primarily because the Group pursued its aspirations to serve the real economy and enlarged the investment in the industrial area such as advanced manufacturing and micro- and small-sized manufacturing, bringing in the growth in business volume.

The comprehensive yield of the industrials industry decreased from 9.80% in 2019 to 8.88% in 2020, which was primarily because the Chinese government stepped up the measures of its macroeconomic policies in support of the industrial enterprises to tide over difficulties during the pandemic. As a result, the average interest rate of the market decreased while market competition intensified as customers had more diversified financing channels and greater bargaining power. The Group also enhanced the investment in higher-level customers and duly adjusted its profit expectation from the real economy, resulting in a decrease in the comprehensive yield of the industrials industry.

# INFRASTRUCTURE



## 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 invested 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 PPP model. As the PPP model is used for large infrastructure projects which usually generate stable cash flows over a long term, we are devoted to providing the project participants with comprehensive services, including financial leasing and factoring.

For the year ended December 31, 2020, the average balance of interest-earning assets attributable to our business in the infrastructure industry amounted to RMB8,486.6 million, accounting for 9.5% of the average balance of interest-earning assets of the Group and representing a decrease of 7.5% as compared with RMB9,176.8 million last year.

For the year ended December 31, 2020, the income from the infrastructure industry amounted to RMB610.4 million, representing a decrease of 4.7% as compared with RMB640.5 million last year, which was primarily because certain lease contracts with customers in the industry expired or were terminated.

The comprehensive yield of the infrastructure industry increased from 6.98% for the year ended December 31, 2019 to 7.19% for the year ended December 31, 2020, which was primarily due to the fact that customers of the industry had a higher demand for consultation services. As a result, the comprehensive yield of the infrastructure industry increased.





### CONSTRUCTION

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

For the year ended December 31, 2020, the average balance of interest-earning assets attributable to our business in the construction industry amounted to RMB8,992.3 million, accounting for 10.0% of the average balance of interest-earning assets of the Group and representing an increase of 11.9% as compared with RMB8,035.6 million last year.

For the year ended December 31, 2020, the income from the construction industry amounted to RMB745.8 million, representing an increase of 5.9% as compared with RMB704.4 million last year, which was primarily due to the increased finance lease projects attributable to the Group's enhanced efforts in the development of customers with high ratings in this industry.

The comprehensive yield of the construction industry decreased from 8.77% for the year ended December 31, 2019 to 8.29% for the year ended December 31, 2020, which was primarily because various types of support have been provided by the macroeconomic policy as the construction industry is the major industry that supports the resumption of work and production, resulting in a substantially higher bargaining power of customers. As the Group endeavored to extend the base of higher-level customers amid intensifying market competition, the comprehensive yield of the construction industry decreased.

### HEALTHCARE



#### 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.

The healthcare institutions which we serve currently consist primarily of public hospitals. We continuously expand our healthcare customer base to capture opportunities presented by the increasing market demands for customized and high-end healthcare services in order to meet their financing needs related to medical equipment procurement, working capital and facility construction. Meanwhile, we also plan to provide innovative financing services 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 services to institutions such as 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 services to high-growth medical and healthcare companies, such as pharmaceutical enterprises, medical device manufacturers and genetic-testing and bio-pharma companies, to provide financial support for their production capacity expansion and research development.

For the year ended December 31, 2020, the average balance of interest-earning assets attributable to our business in the healthcare industry amounted to RMB4,297.5 million, accounting for 4.8% of the average balance of interest-earning assets of the Group and representing an increase of 13.1% as compared with RMB3,798.1 million last year.

For the year ended December 31, 2020, the income from the healthcare industry amounted to RMB374.0 million, representing an increase of 2.2% as compared with RMB365.9 million last year, which was primarily due to the increased finance lease projects attributable to the enhanced efforts of the Group in the development of higher-level customers in this industry.



## Management Discussion and Analysis

The comprehensive yield of the healthcare industry decreased from 9.63% for the year ended December 31, 2019 to 8.70% for the year ended December 31, 2020, primarily because the macroeconomic policies of China strongly supported the enhancement of pandemic prevention and medical services of the healthcare industry while various subsidies were provided for the establishment and development of healthcare organizations, resulting in a decreased demand for financing from the customers of the healthcare industry. Intensified market competition also contributed to the decrease in the comprehensive yield of the healthcare industry.

### OTHER INDUSTRIES

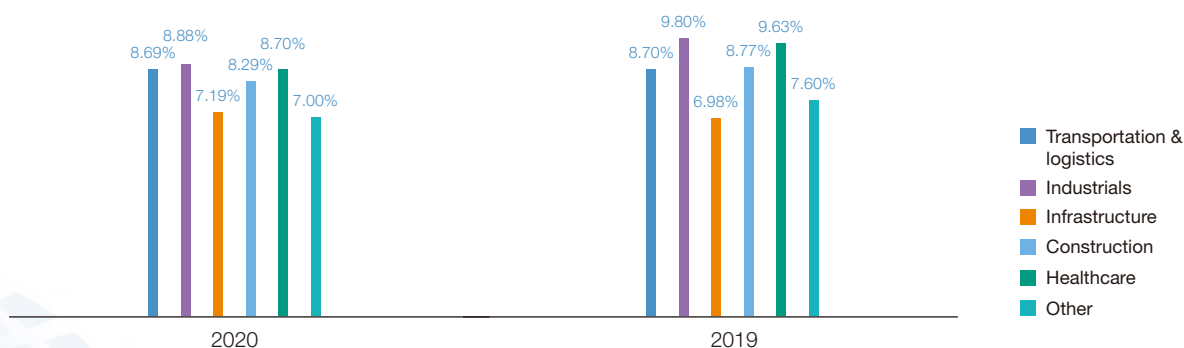
In addition to the abovementioned industries, we also provide finance lease, factoring and advisory services to quality customers in other industries, such as paper and printing, agriculture, food, mining, wholesale and retail, chemical industry, education, textile and other industries.

For the year ended December 31, 2020, the average balance of interest-earning assets attributable to our business in other industries was RMB12,860.0 million, accounting for 14.4% of the average balance of interest-earning assets of the Group.

For the year ended December 31, 2020, the income from other industries amounted to RMB900.7 million, representing a decrease of 4.9% as compared with RMB947.5 million last year.

The comprehensive yield of other industries decreased from 7.60% for the year ended December 31, 2019 to 7.00% for the year ended December 31, 2020, which was primarily attributable to greater support of the macroeconomic policies of China for the real economy, easing of the overall financing conditions of the credit market and lower market interest. As the Group endeavored to extend the base of higher-level customers and adjusted the profit expectation from the real economy, the comprehensive yield of other industries decreased.

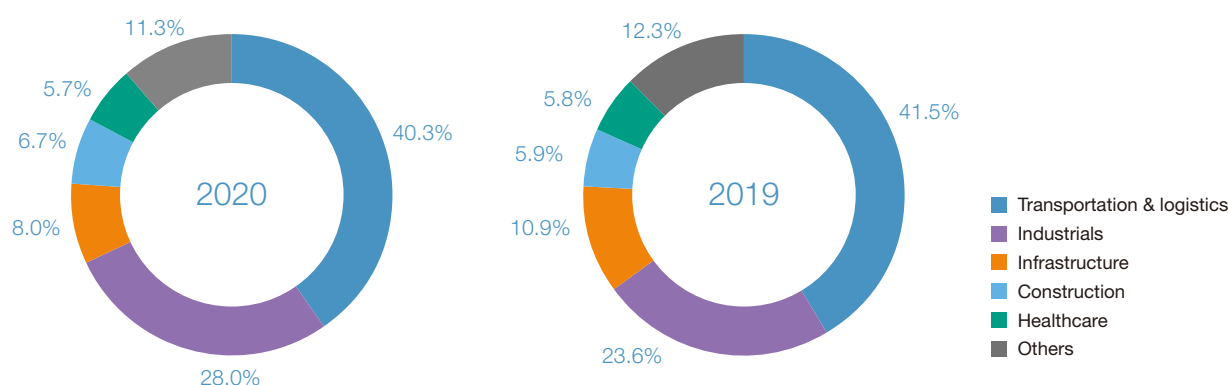
### Comprehensive yield by industry



## INCOME FROM FINANCE LEASE BUSINESS

Income from finance lease business of the Group for the year ended December 31, 2020 increased by 12.9% to RMB5,950.0 million as compared with last year. Income from finance lease business accounted for 75.2% of the total revenue of the Group.

### Income from finance lease business by sector



The Group proactively adapts to the recent economic development, insists on serving the real economy, deeply develops localized segments, continuously optimizes the structure of asset allocation, and strengthens the investment in key industries such as transportation & logistics and advanced manufacturing industries. For the year ended December 31, 2020, income from industries such as industrials, construction, healthcare and transportation & logistics increased steadily by 33.9%, 28.0%, 11.2% and 9.4%, respectively, as compared with last year.

## OPERATING LEASE INCOME

Our operating lease income increased by 7.1% to RMB464.4 million for the year ended December 31, 2020 as compared with last year. The increase was primarily due to the completion of settlement of five aircraft by the Group in 2020. For the year ended December 31, 2020, the net lease yield of the aircraft operating lease business of the Group was 5.01%.

As at December 31, 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\$871.2 million (or approximately RMB5,684.3 million). In addition, as at December 31, 2020, the Group undertook to purchase a total of two aircraft with

## Management Discussion and Analysis

an estimated market value of approximately US\$81.67 million (or approximately RMB547.189 million). For the year ended December 31, 2020, the Group did not dispose of any aircraft assets. The below table sets forth the details of the aircraft lease business:

Model	The number of aircraft		Total
	Self-owned aircraft	Aircraft purchased under commitment	
Airbus A320	7	0	7
Airbus A321	2	0	2
Airbus A350	2	0	2
Boeing B737-800	6	2	8
<b>Total</b>	<b>17</b>	<b>2</b>	<b>19</b>

### FACTORING INTEREST INCOME

We provide factoring services to companies in various industries, including construction, infrastructure, industrials and transportation & logistics. 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 enhanced our efficiency in providing financial services for the accounts receivables.

Our factoring interest income increased by 1.9% to RMB312.1 million for the year ended December 31, 2020 as compared with last year.

### ENTRUSTED LOAN AND OTHER LOAN INTEREST INCOME

Our entrusted loan and other loan interest income decreased by 44.3% to RMB39.7 million for the year ended December 31, 2020 as compared with last year. The decrease was mainly because of the prudent approach of the Group in entering into new entrusted loans and other loans business.

### SERVICE FEE INCOME

We provide various advisory services to finance lease customers and other customers. The Group's service fee income increased by 7.8% to RMB1,148.8 million for the year ended December 31, 2020 as compared with last year. Our service fee income was mainly generated from industries such as transportation & logistics, industrials, infrastructure and construction. The Group further retained new customers in the 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.

## OTHER INCOME, GAINS OR LOSSES

For the year ended December 31, 2020, other income, gains or losses of the Group increased by 117.8% to RMB635.9 million as compared with last year. The increase was mainly due to the fact that (1) certain government outsourcing business projects of the Group were under the handover period during the year, and the Group recognised income from government outsourcing business and related costs for certain above-mentioned projects which satisfied the revenue recognition principles of accounting standards; and (2) government subsidies increased as compared with last year.

## EXPENSES

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

	For the year ended December 31,		
	2020	2019	Changes
	(RMB in millions)		
Depreciation and amortization	359.0	257.0	39.7%
Staff costs	585.5	546.4	7.2%
Interest expenses	3,676.1	3,331.3	10.4%
Other operating expenses	508.2	193.2	163.0%
Listing expenses	—	31.5	(100.0%)
Impairment losses under expected credit loss model	1,917.5	1,272.4	50.7%
Other impairment losses	10.6	16.1	(34.2%)
<b>Total expenses</b>	<b>7,056.9</b>	<b>5,647.9</b>	<b>24.9%</b>

The total expenses of the Group increased by 24.9% to RMB7,056.9 million for the year ended December 31, 2020 from RMB5,647.9 million 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 of the Group; and (2) the increase in the impairment losses under expected credit loss model due to the adoption of more prudent risk measurement by the Group as it had fully taken into account the pressure of the customers arising from greater downward pressure of the domestic economy and increasing uncertainties of the international trade amid the spreading of the COVID-19.

## DEPRECIATION AND AMORTIZATION

The depreciation and amortization of the Group increased by 39.7% to RMB359.0 million for the year ended December 31, 2020 from RMB257.0 million last year, which was mainly due to the increase in aircraft held for operating lease and the office building.

## Management Discussion and Analysis

### STAFF COSTS

The staff costs of the Group increased by 7.2% to RMB585.5 million for the year ended December 31, 2020 from RMB546.4 million last year. The increase in the staff costs was primarily due to the expansion of the Group's business.

### INTEREST EXPENSES

The interest expenses of the Group increased by 10.4% to RMB3,676.1 million for the year ended December 31, 2020 from RMB3,331.3 million last year, which was mainly due to the expansion of financing scale which was in line with the continuous growth of the business of the Group. However, the increase in interest expenses was lower than the increase in total revenue.

### OTHER OPERATING EXPENSES

Other operating expenses of the Group increased by 163.0% to RMB508.2 million for the year ended December 31, 2020 from RMB193.2 million last year. The increase was mainly due to the increase in costs relating to government outsourcing business, tax and surcharges 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 50.7% to RMB1,917.5 million for the year ended December 31, 2020 from RMB1,272.4 million last year. The increase was mainly due to the increase in the amount of provision due to the growth in our businesses. In addition, we adopted a more prudent risk measurement which increased the amount of impairment losses under expected credit loss model in order to maintain relatively high risk resistance in response to the downward pressure of the macro economy in the long run and the impact of COVID-19 which had brought additional operational risks and liquidity pressure to customers.

### PROFIT FOR THE YEAR

Profit for the year of the Group decreased by 17.6% to RMB1,116.0 million for the year ended December 31, 2020 from RMB1,354.9 million last year. The decrease was primarily due to the increase in impairment losses under expected credit loss model resulted from the adoption of a more prudent risk measurement in order to maintain relatively high risk resistance of the Group as it insisted on serving the real economy and helping the customers affected by the pandemic to weather through the tough times.

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

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

	For the year ended December 31,	
	2020	2019
	(RMB in millions, except percentages)	
Interest income <sup>(1)</sup>	6,301.8	5,645.9
Interest expenses <sup>(2)</sup>	3,460.0	3,170.6
Net interest income	2,841.8	2,475.3
Average balance of interest-earning assets <sup>(3)</sup>	89,604.6	78,099.9
Average balance of interest-bearing liabilities <sup>(4)</sup>	79,662.8	69,190.6
Average yield of interest-earning assets <sup>(5)</sup>	7.03%	7.23%
Of which: Finance lease business <sup>(6)</sup>	7.36%	7.54%
Average cost of interest-bearing liabilities <sup>(7)</sup>	4.34%	4.58%
Net interest spread <sup>(8)</sup>	2.69%	2.65%
Net interest margin <sup>(9)</sup>	3.17%	3.17%

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

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

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

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

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

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

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

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

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

## Management Discussion and Analysis

For the year ended December 31, 2020, the net interest spread of the Group increased by 0.04 percentage points to 2.69% from 2.65% last year. The increase was mainly due to the fact that the decline in the average cost of interest-bearing liabilities was slightly more than that of the average yield of interest-earning assets.

For the year ended December 31, 2020, the net interest margin of the Group was 3.17%, which was the same as compared with last year.

### 5. ANALYSIS OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

#### OVERVIEW OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	As at December 31,		Changes
	2020	2019	
	(RMB in millions)		
<b>Non-current assets</b>			
Property and equipment	7,154.2	4,730.0	51.3%
Right-of-use assets	165.0	185.7	(11.1%)
Intangible assets	15.4	15.8	(2.5%)
Receivables from finance lease business <sup>(note)</sup>	40,883.6	37,934.9	7.8%
Interest in a joint venture	—	710.9	(100.0%)
Financial assets at fair value through profit or loss	326.3	35.9	808.9%
Loans and receivables	1,249.2	2,738.7	(54.4%)
Deferred tax assets	1,541.0	1,006.9	53.0%
Other assets	944.5	539.0	75.2%
<b>Total non-current assets</b>	<b>52,279.2</b>	<b>47,897.8</b>	<b>9.1%</b>

	As at December 31,		
	2020	2019	Changes
	(RMB in millions)		
<b>Current assets</b>			
Receivables from finance lease business <sup>(note)</sup>	42,742.3	36,950.4	15.7%
Loans and receivables	6,380.9	5,345.9	19.4%
Other assets	952.3	921.5	3.3%
Accounts receivable	36.9	16.7	121.0%
Financial assets held under resale agreements	—	1,154.5	(100.0%)
Financial assets at fair value through profit or loss	572.9	1,252.1	(54.2%)
Derivative financial assets	—	49.6	(100.0%)
Cash and bank balances	5,177.0	5,458.8	(5.2%)
<b>Total current assets</b>	<b>55,862.3</b>	<b>51,149.5</b>	<b>9.2%</b>
<b>Total assets</b>	<b>108,141.5</b>	<b>99,047.3</b>	<b>9.2%</b>
<b>Current liabilities</b>			
Borrowings	22,205.2	19,660.8	12.9%
Derivative financial liabilities	359.9	98.8	264.3%
Accrued staff costs	217.6	176.0	23.6%
Accounts payable	30.1	279.4	(89.2%)
Bonds payable	18,408.9	20,114.2	(8.5%)
Income tax payable	663.9	494.9	34.1%
Other liabilities	6,477.0	5,359.6	20.8%
<b>Total current liabilities</b>	<b>48,362.6</b>	<b>46,183.7</b>	<b>4.7%</b>
<b>Net current assets</b>	<b>7,499.7</b>	<b>4,965.8</b>	<b>51.0%</b>
<b>Total assets less current liabilities</b>	<b>59,778.9</b>	<b>52,863.6</b>	<b>13.1%</b>



## Management Discussion and Analysis

	As at December 31,		Changes
	2020	2019	
	(RMB in millions)		
Equity attributable to owners of the Company			
– Ordinary shareholders	14,278.3	14,035.9	1.7%
– Other equity instrument holders	1,523.8	1,237.2	23.2%
Non-controlling interests	51.7	16.7	209.6%
<b>Total equity</b>	<b>15,853.8</b>	<b>15,289.8</b>	<b>3.7%</b>
<b>Non-current liabilities</b>			
Borrowings	21,796.4	18,096.4	20.4%
Bonds payable	13,951.1	11,332.8	23.1%
Deferred tax liabilities	18.3	10.8	69.4%
Other liabilities	8,159.3	8,133.8	0.3%
<b>Total non-current liabilities</b>	<b>43,925.1</b>	<b>37,573.8</b>	<b>16.9%</b>
<b>Total equity and non-current liabilities</b>	<b>59,778.9</b>	<b>52,863.6</b>	<b>13.1%</b>
<b>Net assets per Share (RMB yuan/share)</b>	<b>1.73</b>	<b>1.70</b>	

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

## ASSETS

The Group's total assets increased by 9.2% from RMB99,047.3 million as at the end of last year to RMB108,141.5 million as at December 31, 2020, which was mainly due to the expansion of leasing business scale driven by the business development efforts with focus on providing leasing business and the ratio of leasing business in total assets increased.

### INTEREST-EARNING ASSETS

Our interest-earning assets include receivables from finance lease business and loans and other receivables. In 2020, driven by the overall growth of our financial leasing business, our receivables from finance lease business continued to grow. As at December 31, 2020, the carrying amount of receivables from finance lease business of the Group was RMB83,625.9 million, representing an increase of 11.7% from RMB74,885.3 million as at the end of last year.

### RECEIVABLES FROM FINANCE LEASE BUSINESS

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

	As at December 31,		Changes
	2020	2019	
	(RMB in millions)		
<b>Gross amount of receivables from finance lease business</b>	<b>94,218.8</b>	84,106.3	12.0%
Less: Unearned income	<b>(8,598.0)</b>	(7,548.8)	13.9%
<b>Present value of receivables from finance lease business</b>	<b>85,620.8</b>	76,557.5	11.8%
Less: Loss allowance	<b>(1,994.9)</b>	(1,672.2)	19.3%
<b>Carrying amount of receivables from finance lease business</b>	<b>83,625.9</b>	74,885.3	11.7%

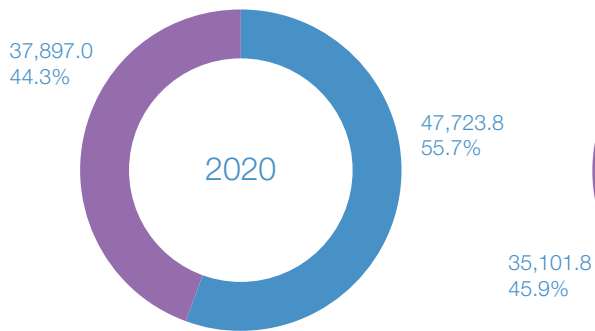
# Management Discussion and Analysis

## CUSTOMER ANALYSIS

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

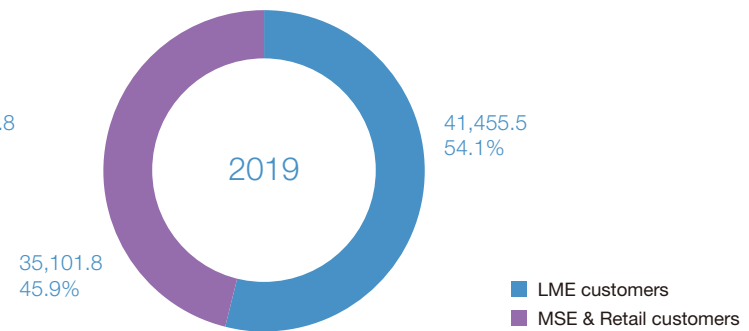
### As at December 31, 2020

(Unit: RMB in millions, except percentages)



### As at December 31, 2019

(Unit: RMB in millions, except percentages)



The balance of finance lease receivables from LME, MSE & retail customers of the Group as at December 31, 2020 increased as compared with the end of last year, which was mainly due to the expansion of our leasing business driven by our increased leasing business development efforts.

## INDUSTRY ANALYSIS

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

	As at December 31,			
	2020		2019	
	Amount	% of total	Amount	% of total
	(RMB in millions, except percentages)			
Transportation & logistics	31,234.0	36.5%	30,692.8	40.1%
Industrials <sup>(1)</sup>	24,564.7	28.7%	18,151.8	23.7%
Infrastructure	8,902.3	10.4%	6,840.1	8.9%
Construction	6,013.9	7.0%	5,758.6	7.5%
Healthcare	4,673.2	5.5%	4,209.5	5.5%
Others <sup>(2)</sup>	10,232.7	11.9%	10,904.7	14.3%
<b>Total</b>	<b>85,620.8</b>	<b>100.0%</b>	<b>76,557.5</b>	<b>100.0%</b>

(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, etc.

For the year ended December 31, 2020, we strived to optimize our asset allocation with a focus on key industries such as industrials, infrastructure and transportation & logistics and leveled up services provided to high-quality MSE & retail customers. As at December 31, 2020, the balance of our receivables from finance lease business from customers in the industrials, infrastructure, transportation & logistics, healthcare and construction industries increased by RMB6,412.9 million, RMB2,062.2 million, RMB541.2 million, RMB463.7 million and RMB255.3 million, respectively, as compared to those as at the end of last year.

## Management Discussion and Analysis

### MATURITY PROFILE

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

	As at December 31,			
	2020		2019	
	Amount	% of total	Amount	% of total
	(RMB in millions, except percentages)			
Within one year	48,015.2	51.0%	41,537.8	49.4%
More than one year but not exceeding five years	45,658.7	48.5%	42,167.4	50.1%
More than five years	544.9	0.5%	401.1	0.5%
Total	94,218.8	100.0%	84,106.3	100.0%

As at December 31, 2020, receivables from finance lease business due within one year accounted for 51.0% of the total gross amount of receivables from finance lease business of the Group, which slightly increased as compared to as at the end of last year.

### LOANS AND RECEIVABLES

Our loans and receivables include factoring receivables and entrusted loans and other loans. As at December 31, 2020, the balance of our factoring receivables was RMB7,480.5 million, representing a decrease of 2.5% from RMB7,675.6 million as at the end of last year. The balance of our entrusted loans and other loans was RMB793.9 million, representing a decrease of 32.8% from RMB1,181.4 million as at the end of last year. The Group entered into loan and receivables business prudently.

### LOSS ALLOWANCE WRITE OFF

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

	For the year ended December 31,	
	2020	2019
	(RMB in millions)	
Loss allowance write off	503.9	649.8

The Group write off unrecoverable non-performing assets strictly based on the accounting standards and the Group's write off policies and procedures. In 2020 and 2019, the Group's loss allowance write off for interest-earning assets was RMB503.9 million and RMB649.8 million, respectively.

### PROPERTY AND EQUIPMENT

Our property and equipment include equipment held for operating lease business and property and equipment held for administrative purpose. As at December 31, 2020, our equipment held for operating lease business consisted of 17 aircraft. The property and equipment held for administrative purpose of the Group consisted primarily of office buildings, motor vehicles, electronic equipment, office equipment, leasehold improvements and construction in progress.

As at December 31, 2020, the carrying amount of the property and equipment of the Group amounted to RMB7,154.2 million, representing an increase of 51.3% as compared with RMB4,730.0 million as at the end of last year. The increase was mainly due to the addition of office building and aircraft this year.

### INTEREST IN A JOINT VENTURE

As at December 31, 2020, the carrying amount of the interest in a joint venture of the Group was RMB0, and the carrying amount of the interest in a joint venture was RMB710.9 million as at the end of last year. In September 2020, the Group entered into an agreement with Gui'an Financial Investment to take over 60% equity interest in Gui'an UT. Upon completion of the takeover, the Group had 100% equity interest in Gui'an UT.

### DEFERRED TAX ASSETS

As at December 31, 2020, the carrying amount of the deferred tax assets of the Group amounted to RMB1,541.0 million, representing an increase of 53.0% as compared with RMB1,006.9 million as at the end of last year, primarily due to the impairment loss. The amount of income tax related to impairment loss as at December 31, 2020 which was not filed with the tax authorities was recognized as deferred tax assets.

### CASH AND BANK BALANCES

As at December 31, 2020, the carrying amount of the cash and bank balances of the Group were RMB5,177.0 million, representing a decrease of 5.2% as compared with RMB5,458.8 million as at the end of last year. The decrease was mainly due to the adjustment made for future operating needs and liquidity.

### FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss mainly include funds, structured deposits and shares held by the Group.

As at December 31, 2020, the carrying amount of the financial assets at fair value through profit or loss of the Group was RMB899.2 million, representing a decrease of 30.2% as compared with RMB1,288.0 million as at the end of last year, which was mainly due to the adjustment by the Group according to the position of liquidity management and market condition. In addition, certain repossessed financial assets held by the Group to mitigate credit risks are recorded as the financial assets at fair value through profit or loss.

## Management Discussion and Analysis

### LIABILITIES

In 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, in order to maintain a stable capital market and support the real economy. In 2020, the Group maintained its domestic credit rating of AAA for the third consecutive year. The Group continued to improve its debt structure and expand the financial channels in accordance with the business and market conditions. The financing cost was lowered as the choices of debt financing instruments increased.

As at December 31, 2020, the Group had total liabilities of RMB92,287.7 million, representing an increase of 10.2% as compared with RMB83,757.5 million as at the end of last year. The increase was mainly due to the increased financing scale along with the growth of business volume.

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

	As at December 31,		Changes
	2020	2019	
	(RMB in millions)		
<b>Current liabilities</b>			
Borrowings	22,205.2	19,660.8	12.9%
Derivative financial liabilities	359.9	98.8	264.3%
Accrued staff costs	217.6	176.0	23.6%
Accounts payable	30.1	279.4	(89.2%)
Bonds payable	18,408.9	20,114.2	(8.5%)
Income tax payable	663.9	494.9	34.1%
Other liabilities	6,477.0	5,359.6	20.8%
<b>Total current liabilities</b>	<b>48,362.6</b>	<b>46,183.7</b>	<b>4.7%</b>
<b>Non-current liabilities</b>			
Borrowings	21,796.4	18,096.4	20.4%
Bonds payable	13,951.1	11,332.8	23.1%
Deferred tax liabilities	18.3	10.8	69.4%
Other liabilities	8,159.3	8,133.8	0.3%
<b>Total non-current liabilities</b>	<b>43,925.1</b>	<b>37,573.8</b>	<b>16.9%</b>
<b>Total liabilities</b>	<b>92,287.7</b>	<b>83,757.5</b>	<b>10.2%</b>

## BORROWINGS

Borrowings of the Group primarily include bank borrowings, borrowings from related parties, borrowings from other financial institutions and lease liabilities, and bank borrowings are our major source of borrowings. As at December 31, 2020, the Group's borrowings amounted to RMB44,001.6 million, representing an increase of 16.5% as compared with the balance of borrowings of RMB37,757.2 million as at the end of last year. The increase was primarily because we raised funds to support our business growth.

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

	As at December 31,			
	2020		2019	
	Amount	% of total	Amount	% of total
	(RMB in millions, except percentage)			
Bank borrowings	39,164.8	89.0%	34,416.7	91.2%
Borrowings from the related parties	1,840.2	4.2%	1,161.5	3.1%
Borrowings from other financial institutions	2,824.8	6.4%	1,990.0	5.3%
Lease liabilities	171.8	0.4%	189.0	0.4%
<b>Total</b>	<b>44,001.6</b>	<b>100.0%</b>	37,757.2	100.0%
Analyzed as:				
Current	22,205.2	50.5%	19,660.8	52.1%
Non-current	21,796.4	49.5%	18,096.4	47.9%
<b>Total</b>	<b>44,001.6</b>	<b>100.0%</b>	37,757.2	100.0%

As at December 31, 2020, the current borrowings accounted for 50.5% of the total borrowings, representing a decrease of 1.6 percentage points as compared with the end of last year, reflecting the stable financing strategies and reasonable debt structure.



## Management Discussion and Analysis

### BONDS PAYABLE

For the year ended December 31, 2020, the capital market maintained reasonable and adequate liquidity, while market interest rates in the first half of 2020 dropped as compared with 2019. The market interest rates rebound gradually due to the stabilized economy of China in the second half of the year. Having considered the needs for business development and financing costs, the Group proactively utilized various direct financing tools. Through issuance of bonds, asset securitization and other products in the direct financing market continuously and alternately, the Group enriched its financing products, balanced its product maturity and diversified its financing market and maintained its cost advantage 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 December 31, 2020, the Group's bonds payable amounted to RMB32,360.0 million, representing an increase of 2.9% as compared with RMB31,447.0 million as at the end of last year.

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

	As at December 31,			
	2020		2019	
	Amount	% of total	Amount	% of total
(RMB in millions, except percentage)				
Analyzed as:				
Current	18,408.9	56.9%	20,114.2	64.0%
Non-current	13,951.1	43.1%	11,332.8	36.0%
Total	32,360.0	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 December 31, 2020, the total other liabilities of the Group were RMB14,636.3 million, representing an increase of 8.5% 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 December 31, 2020, the Group had a total equity of RMB15,853.8 million, representing an increase of 3.7% from RMB15,289.8 million as at the end of last year. The increase was mainly due to the profit for the year and the issuance of equity instruments (which increased total equity), dividend distribution and other comprehensive income (which reduced total equity) of the Group in 2020.

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

	As at December 31,		Changes
	2020	2019	
(RMB in millions)			
Equity attributable to owners of the Company			
– Ordinary shareholders	14,278.3	14,035.9	1.7%
– Other equity instrument holders	1,523.8	1,237.2	23.2%
Non-controlling interests	51.7	16.7	209.6%
<b>Total equity</b>	<b>15,853.8</b>	<b>15,289.8</b>	<b>3.7%</b>

### 6. ANALYSIS OF CONSOLIDATED STATEMENT OF CASH FLOW

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

	For the year ended December 31,		
	2020	2019	Changes
	(RMB in millions)		
Net cash from/ (used in) operating activities	(3,401.9)	(9,366.2)	N/A
Net cash from/ (used in) investing activities	(3,008.0)	(1,025.5)	N/A
Net cash from/ (used in) financing activities	5,928.1	11,760.5	(49.6%)
<b>Net increase in cash and cash equivalents</b>	<b>(481.8)</b>	<b>1,368.8</b>	<b>(135.2%)</b>

For the year ended December 31, 2020, net cash outflow in operating activities amounted to RMB3,401.9 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 an increase in the business investment. The decrease of the net cash outflow from operating activities of the year as compared with last year was mainly because the rents collected from the business investment made in previous periods were partially offset against the increased cash outflow caused by the business investment.

For the year ended December 31, 2020, net cash outflow in investing activities was RMB3,008.0 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 (iii) the purchase of property and equipment, (iv) cash paid to purchase a subsidiary and (v) cash paid to purchase self-owned asset-backed securities. The aforesaid cash outflow was partially offset by (i) the proceeds from the disposal of financial assets at fair value through profit or loss and (ii) the proceeds from the disposal of financial assets held under resale agreements.

For the year ended December 31, 2020, net cash inflow from financing activities was RMB5,928.1 million, primarily due to (i) the proceeds from issuance of bonds, (ii) the proceeds from borrowings and (iii) the proceeds from issuance of other equity instruments. The aforesaid cash inflow was partially offset by the repayment of bonds and borrowings, payment of dividends and payment of relevant fees during the year.

## 7. CAPITAL MANAGEMENT

We manage our capital to ensure that the group companies in the Group is able to operate as a going concern by optimizing the structure of the debt and Shareholders' equity while maximizing Shareholders' return. The objective of our capital management is to ensure 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 December 31, 2020, the Group did not violate any relevant laws and regulations regarding the total risk assets and net assets ratio.

## 8. CAPITAL EXPENDITURES

For the year ended December 31, 2020, the capital expenditure of the Group was RMB3,141.6 million, which was mainly used to purchase aircraft and offices during the year.

## 9. RISK MANAGEMENT

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

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

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

### CREDIT RISK

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

Coupled with the transformation, economic restructuring and change of growth dynamics during its transitional period, the economy of China is experiencing a mix of structural, institutional and cyclical issues. In 2020, stricken by COVID-19, the domestic economy of China was under greater downward pressure while all industries were affected to various degrees. 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 impact 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.

In 2020, we strictly complied with the existing credit risk management systems and procedures of the Company in order to efficiently manage the credit risks and asset quality of its business. 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 quantitative management, we put great efforts in promoting the application of credit rating, risk pricing, debt rating and limit calculation models, so as to increase the level and quality of the revenue of the Company by improving our quantitative risk assessment and management capabilities. 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 risk alert and response mechanism, we continued to enhance our risk mitigation ability and efficiency. Moreover, with a view to coping with the impact of COVID-19 during the year and ensuring the asset safety of the Company, 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

In respect of industry, the Company adopted 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 and other similar 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, IT, healthcare and pharmaceutical, 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 infrastructure and advanced manufacturing industries are developing steadily. 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 impact of COVID-19 on our customers. In response to the government policies for guiding and supporting the real economy, we implemented differentiated risk mitigation plans based on the investigation in respect of our customers. The Company continued to track and evaluate asset quality, strengthened daily monitoring to cope with the short-term impact of COVID-19, adhered to the bottom line of risks prevention and maintained stable asset quality. We have taken 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, the Company optimized its comprehensive risk management mechanism by coordinating with various departments. Differentiated and specific due diligence and review arrangements were carried out for customers of different risk levels based on the risk exposures in relation to COVID-19 in different regions. The Company also strictly implemented compliance and risk management policies, in order to protect the health of its staff and ensure the orderly development of its business.

## ASSETS QUALITY

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

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

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

## Management Discussion and Analysis

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

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

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

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

	As at December 31, 2020		As at December 31, 2019	
	Amount	% of total	Amount	% of total
(RMB in million, except percentage)				
Normal	89,526.8	95.35%	81,325.1	95.21%
Special mention	3,334.1	3.55%	3,167.6	3.71%
Substandard	649.5	0.69%	915.0	1.07%
Doubtful	367.0	0.39%	6.4	0.01%
Loss	17.8	0.02%	0.4	0.00%
<b>Total</b>	<b>93,895.2</b>	<b>100.00%</b>	<b>85,414.5</b>	<b>100.00%</b>
NPA ratio		<b>1.10%</b>		1.08%
Allowance coverage ratio for NPAs		<b>255.16%</b>		265.19%

As at December 31, 2020, the NPAs of the Group amounted to RMB1,034.3 million, and the NPA ratio was 1.10%, representing a slight increase of 0.02 percentage points as compared with the end of 2019. During the Reporting Period, in the face of challenges arising from external factors, the Group put great efforts in preventing and controlling risks and managing its assets. The overall asset quality remained stable as the Group had taken initiatives to mitigate risks and maintained a proactive and prudent risk management. The NPA ratio remained at a stable level.

As at December 31, 2020, the proportion of total interest-earning assets of the Group classified as special mention was 3.55%, representing a decrease of 0.16 percentage points as compared with the end of 2019. The Group carried out tighter asset control, more frequent inspection, timely warning report and other measures to promptly identify and mitigate project risks. The ratio of total assets classified as special mention remained at a stable level.

As at December 31, 2020, the allowance coverage ratio for NPAs of the Group was 255.16%. Under the downward pressure in the macroeconomy and the increasingly complicated credit environment, the Group maintained sufficient allowance coverage ratio for NPAs based on its prudent risk management principles to strengthen its risk prevention ability and 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 December 31, 2020, transportation & logistics, industrials and infrastructure were three largest industries in terms of the interest-earning asset balance and accounted for 70.9% of the total interest-earning asset balance of the Group. The interest-earning asset of industrials, infrastructure and healthcare recorded the rapidest growth and increased by 28.7%, 26.9% and 10.8%, respectively, during the Reporting Period.

- *Industrials: deeply developing MSE manufacturing business and actively expanding emerging sectors*

In 2020, to align with the policy which encourages the development of new infrastructure, advanced manufacturing and other industries, the Company established special business teams to strengthen its expansion into the emerging sectors, such as 5G industrial chain, electronic information and IDC data center, as well as related leasing business, and acquired a substantial amount of assets. In addition, in response to the government policy which advocates the support of MSEs through financial initiatives, the Company leveraged its experience and first-mover advantages in the MSE business, and continued to develop the equipment leasing business for MSEs. As such, the asset scale of the industrials segment maintained its stable growth.

- *Infrastructure and healthcare: increasing investment in industries that are less susceptible to cyclical changes in view of the impact of COVID-19*

As for infrastructure, due to the Company's timely adjustment of credit approval preferences and increased investments in infrastructure and other industries that are less susceptible to cyclical changes in view of the impact of COVID-19 on various industries in 2020, the Company ensured the resilient asset scale and quality. As for healthcare industry, the Company was committed to supporting the medical entities to fight against COVID-19 in 2020 and increased its investment in customers in medical industry, and primarily public hospitals.



## Management Discussion and Analysis

In 2021, which is the beginning of the 14th Five-year Plan as well as a new historic starting point, based on its corporate strategies and asset allocation target, the Company will seize the development opportunities in emerging strategic industries. Greater efforts will be made to expand into new infrastructure, advanced manufacturing, and energy saving and environmental protection industries as well as other key areas. The Company will also 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. The Company will exert efforts in expanding the micro, small and medium enterprises business while continuously monitoring the scale of the traditional industries 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.

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

	As at December 31, 2020		As at December 31, 2019	
	Amount	% of total	Amount	% of total
	(RMB in millions, except percentage)			
Transportation & logistics	31,979.1	34.1%	31,467.3	36.8%
Industrials <sup>(1)</sup>	25,083.0	26.7%	19,488.9	22.8%
Infrastructure	9,470.1	10.1%	7,465.4	8.7%
Construction	9,391.0	10.0%	9,166.8	10.7%
Healthcare	4,678.2	4.9%	4,220.9	4.9%
Others <sup>(2)</sup>	13,293.8	14.2%	13,605.2	16.1%
<b>Total</b>	<b>93,895.2</b>	<b>100.0%</b>	<b>85,414.5</b>	<b>100.0%</b>

(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, etc.

### COMPLIANCE RISK

Compliance risk refers to the risk that an enterprise may be subject to legal sanctions or regulatory penalties or suffer from material financial loss or reputation loss due to its failure to comply with laws and regulations, regulatory requirements, rules and codes of conduct applicable to its business activities. The Company continues to improve its in-depth research on policies and has taken the initiative to incorporate external regulations in order to prevent compliance risks at the systemic level. Attaching high importance to the cultivation of compliance culture, the Company increases the knowledge of regulatory policies of its employees and raises their awareness of compliance risks through organizing trainings. The Company carries out compliance inspections of important business segments and requires all employees to perform their duties diligently, so as to ensure that all regulatory requirements have been duly complied with. The efforts put in compliance management by the Company have further solidated the sound and modern management mechanism of “managing employees and events in accordance with the systems”. In 2020, the Company managed its compliance risks effectively and no major compliance risk was encountered.

### 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:

1. 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

2. 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 in the complex market environment. All core liquidity indicators of the Company are higher than the internal management requirement and warning standards of the Company.

In 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 improve.

### INTEREST RATE RISK

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

Save for some business contracts and loan agreements that are entered into at a fixed interest rate, most of the Group's business contracts with its customers and loan agreements with lending banks are denominated in RMB and bear floating rates using LPR 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 the US dollar interest rate. These interest rate swaps generally are from one to six years. As at December 31, 2020, the nominal amount of our interest rate swaps (including currency swaps) amounted to RMB4,960.6 million.

### EXCHANGE RATE RISK

Exchange rate risk refers to the risk of our losses of overall revenue and economic value arising from adverse changes of exchange rate. Exchange rate risk of the Group is 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 against 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. For the exposure of exchange rate arising from funding, the Group will mitigate exchange rate risk by using foreign exchange derivatives when appropriate and necessary. The operating lease (aircraft leasing) business of the Group is funded by loans denominated in US dollar which can offset part of the exchange rate risk exposure. Such arrangement effectively greatly reduces the exchange rate risk exposure. The exposure to the exchange rate risk of the Group as a whole is relatively small and has no significant effect on the profits of the Group for the year.

As at December 31, 2020, the nominal amount of our currency forwards (including currency swaps) amounted to RMB2,672.3 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 has conducted in-depth research on theory of risk management and strengthened the training and performance evaluation of operational risk management in order to develop a set of complete theory of operational risk and enhance the awareness of active management and accountability. In 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 2020, the reputation of the Group was generally good and no major reputational risk was encountered.

## 10. HUMAN RESOURCES

As at the end of 2020, the Group had 1,697 full-time employees (excluding dispatched labors) in total, representing an increase of 44 full-time employees as compared to 1,653 as at the end of 2019. The Group has a team of high quality and professional employees. As at the end of 2020, approximately 75.4% of the employees of the Group possess a bachelor's degree or above or tertiary level of above, and 20.9% of the employees possess a 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. According to the requirements of concrete targets, diverse forms and professional contents, we conducted 150 training projects in total with 16,549 participants. 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 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. In order to instil morals into its employees and foster ethical values, the Company organized "Ideological and Moral Cultivation Cloud Lecture" (思想道德雲講堂). Launching certification training for project managers, "Anti-fraud" special training, seminars on the interpretation of Civil Code and "Dandelion" business training were effective in enhancing the ability of our staff. Continuously improving the training system of internal trainers and internal trainer teams of branches facilitated the inheriting of knowledge and program development of the Company.

During the Reporting Period, the staff cost of the Group were RMB585.5 million, representing an increase of RMB39.1 million from RMB546.4 million for last year.

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

## 11. CHARGES ON ASSETS

As at December 31, 2020, finance lease receivables with a carrying amount of approximately RMB3,588.3 million, receivables arising from sale and leaseback arrangements with a carrying amount of approximately RMB9,757.8 million were pledged for borrowings, while property and equipment with a carrying amount of approximately RMB6,699.4 million of the Group and equity interests in certain subsidiaries held by the Group were mortgaged to banks as collateral for bank borrowings.

## 12. CONTINGENT LIABILITIES

As at December 31, 2020, the Group had no contingent liabilities.

## 13. USE OF NET 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 December 31, 2020, the Company used all net proceeds from the initial public offering 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 of the Company:

	Amounts not yet utilized as at January 1, 2020 (RMB in millions)	Amounts utilized during the Reporting Period (RMB in millions)	Amounts not yet utilized as at December 31, 2020 (RMB in millions)	Expected time of use
Development of overseas aircraft leasing business	589.1	589.1	—	N/A

### 14. MATERIAL LAW, LITIGATION AND ARBITRATION

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

### 15. SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS

#### Acquisition of 60% 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. ("Gui'an Financial Investment"), a company holding 60% of the equity interest of Gui'an UT.

The bidding of the Company was successful, and on September 21, 2020, the Company (as the purchaser) and Gui'an Financial Investment (as the vendor) entered into the Equity Transfer Transaction Contract, pursuant to which the Company agreed to acquire the equity interest in Gui'an UT from Gui'an Financial Investment at a consideration of RMB950.0 million. The consideration for the transfer of the Gui'an UT Equity Interest was determined after arm's length negotiation between the Company and Gui'an Financial Investment and on normal commercial terms with reference to the asset valuation results in connection with Gui'an UT as at August 31, 2019 published by Guizhou Sun Property Rights Exchange Co., Ltd. Upon the completion of the acquisition of the equity interest, the Company holds 100% equity interest in Gui'an UT and Gui'an UT became a wholly-owned subsidiary of the Company.

As at December 31, 2020, the net assets of Gui'an UT was RMB1,577.9 million, representing 10.0% of the net assets of the Group. The total assets of Gui'an UT was RMB2,207.3 million, representing 2.0% of the total assets of the Group.

For details of the bidding and acquisition of equity interest, please refer to the announcements of the Company dated July 24, 2020 and September 21, 2020.

### PURCHASE OF AIRCRAFT ASSETS

To refine and optimize the Group's fleet portfolio and expand the Group's customer base, on December 31, 2020, a wholly-owned subsidiary of the Company, as the purchaser, entered into the Aircraft Portfolio Sale and Purchase Agreement with GECAS and the sellers, pursuant to which Celestial Aviation Trading 30 Limited and Celestial Aviation Trading 38 Limited agreed to sell one used Boeing B737-800 aircraft (the "Aircraft"), respectively, to the purchaser or its nominee(s). The consideration for the Aircraft will be paid before completion of the purchase of the Aircraft. Based on the valuation that the Group obtained from an independent appraiser, the market value of the Aircraft is approximately US\$81.67 million (equivalent to approximately RMB547.189 million).

Portfolio trading will enhance the Group's sourcing flexibility, which is an important tool for the Group to optimize its asset value through active fleet management going forward.

For details of the purchase of aircraft assets, please refer to the announcement of the Company dated December 31, 2020.

Save as disclosed in this report, as at December 31, 2020, the Company had no other major investment and did not intend to make any major investment or purchase of capital assets in the near future.



# Directors, Supervisors and Senior Management

## 1. BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### DIRECTORS

**Mr. Ren Peng** (任澎), aged 58, is our non-executive Director. Mr. Ren has been appointed as a Director of the Company since June 2014. Mr. Ren also serves as the deputy general manager of Haitong Securities since November 1997; the chairman of the investment banking committee of Haitong Securities since March 2010; the director of China-Belgium Direct Equity Investment Fund since March 2011; a chairman of the board of directors of Haitong UT Capital since June 2014; director of Haitong UniFortune, Haitong International Holdings Limited and Shanghai UniCircle Investment & Development Co., Ltd. Since July 2014; and a director of Haitong Securities since June 2019.

Mr. Ren served as an officer of the savings division in the Xihu Office of the PBOC from December 1981 to June 1982; the section head and deputy division head of the savings division in the Xihu Office of the Industrial and Commercial Bank of China Limited (a company listed on the Shanghai Stock Exchange (stock code: 601398) and the Hong Kong Stock Exchange (stock code: 1398)) (the "Industrial and Commercial Bank of China") from June 1982 to February 1988. Mr. Ren served in Hangzhou Branch of Bank of Communications Co., Ltd. (a company listed on the Shanghai Stock Exchange (stock code: 601328) and the Hong Kong Stock Exchange (stock code: 3328)) from February 1988 to March 1996, during which he served as the head of savings business from February 1988 to May 1990, assistant to the head and deputy head of the First Office from May 1990 to March 1991, assistant manager of the securities and savings department from March 1991 to December 1993 and manager of the securities department from December 1993 to March 1996. Mr. Ren served as the general manager of the securities transaction business department of Hangzhou of Haitong Securities from March 1996 to November 1997. Mr. Ren served as a director of Haitong Capital Investment from October 2008 to August 2011. Mr. Ren served as the chairman of the board of directors of Haitong UniFortune Financial Leasing from November 2014 to August 2018, the chairman of the board of directors of Haitong UniFortune from July 2014 to March 2018, the chairman of the board of directors of Haitong Unitrust from June 2014 to May 2020, and a director of Haitong UniFortune Financial Leasing from November 2014 to October 2020.

Mr. Ren graduated from the undergraduate school in finance from Fudan University in the PRC in January 2004 and obtained a master's degree in business administration from China Europe International Business School in the PRC in July 2006. Mr. Ren obtained the qualification to engage in securities business issued by the Securities Association of China in August 2003.

**Mr. Ding Xueqing** (丁學清), aged 57, is our Chairman of the Board and executive Director. Mr. Ding joined the Company as a Director in November 2014, served as the standing deputy general manager from November 2014 to July 2015, the General Manager from July 2015 to May 2020 and the Chairman of the Board since May 2020. Mr. Ding served as a director

of Haitong UniFortune Financial Leasing since November 2014, a director of Haitong UT Capital, a director of Haitong UniFortune, a chairman of the board of directors and a director of Shanghai UniCircle Investment & Development Co., Ltd. since July 2015, a director of Gui'an UT since January 2017, a chairman of the board of directors of Haitong UniFortune since March 2018 and a director of Shanghai Dingjie Construction Development Co., Ltd. since June 2018.

Mr. Ding served as an officer of the Changzhou Finance Bureau of Jiangsu Province in the PRC from July 1984 to December 1985 and a teacher of Changzhou College of Accounting in Jiangsu Province in the PRC from December 1985 to June 1988. Mr. Ding served in various positions in the local tax bureau of Jinghu Branch, Wuhu City, Anhui Province in the PRC from June 1988 to March 2002, including the deputy director of the Second Tax Office from April 1991 to September 1995, director of the Third Tax Office from September 1995 to March 2002 and assistant manager of Huangshan West Road Business Office of GuoYuan Securities in Wuhu City from March 2002 to January 2005. Mr. Ding served in various positions in Haitong Securities from January 2005 to November 2014, including the general manager of Wenhua Road Business Office in Wuhu City from January 2005 to June 2010, deputy general manager of Anhui Branch and general manager of Wuhu Business Office from June 2010 to May 2011, general manager of Anhui Branch and general manager of Wuhu Business Office from May 2011 to December 2011, general manager of Anhui Branch from December 2011 to February 2013, and general manager of the retail and network finance department from March 2013 to November 2014. Mr. Ding served as the vice chairman of the board of directors of Gui'an UT from January 2017 to September 2020 and the chairman of the board of directors of Shanghai Dingjie Construction Development Co., Ltd. from June 2018 to July 2020.

Mr. Ding graduated with a bachelor's degree in computer application software from Jilin University in the PRC in June 2008 and an executive master of business administration degree from Dongbei University of Finance and Economics in the PRC in June 2010.

**Ms. Ha Erman** (哈爾曼), aged 45, is our non-executive Director. Ms. Ha has served as a Director of the Company since November 2019. Ms. Ha served as the vice president of Shanghai Guosheng (Group) Co., Ltd. since May 2016, a director of Shanghai Rural Commercial Bank since February 2017 and the chairman of the board of directors and director of Guosheng Overseas Holdings (Hong Kong) Limited since December 2018, a supervisor of AECC Commercial Aircraft Engine Co., Ltd. since December 2019, the chairman of the board of directors, director and general manager of Shanghai Shengpu Jianglan Cultural Development Co, Ltd. (上海盛浦江瀾文化發展有限公司) since March 2020 and a director of China Cultural Industry Investment FOF Management Co., Ltd. (中國文化產業投資母基金管理有限公司) since October 2020.

Ms. Ha served as an assistant to the head of the Foreign Economic Commission of Xuhui District of Shanghai from October 2007 to April 2008, the deputy head of the Hunan Road Office of Xuhui District of Shanghai from April 2008 to March 2012, the deputy head of the Commission of Commerce of Xuhui District of Shanghai from March 2012 to August 2013, the head of Grain Bureau of Xuhui District of Shanghai from December 2012 to August 2013, the vice chairman of the board of directors of Shanghai State-owned Assets Management Co., Ltd. from August 2013 to April 2015 and the chairman of the board of directors of Shanghai International Group Assets Management Co., Ltd. from April 2015 to May 2016. Ms. Ha served as a non-executive director of China Pacific Insurance (Group) Co., Ltd. (a company listed on the Shanghai Stock Exchange (stock code: 601601) and the Hong Kong Stock Exchange (stock code: 2601)) from June 2014 to June 2017, a

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non-executive director of Shanghai Jinqiao Export Processing Zone Development Co., Ltd. (a company listed on the Shanghai Stock Exchange (stock code: 600639)) from June 2015 to June 2016 and the chairman of the board of directors of Shanghai Guosheng (Group) Estate Holding Co., Ltd. from October 2016 to December 2017.

Ms. Ha obtained a bachelor's degree in science of industrial foreign trade and a master's degree in public administration from Shanghai Jiao Tong University in July 1998 and March 2005, respectively.

**Mr. Li Chuan** (李川), aged 38, is our non-executive Director. Mr. Li has been a Director of the Company since November 2019. Mr. Li has been the deputy general manager and chief financial officer of Shanghai Electric Hongkong Co. Limited since May 2018, a director of Shen Rong International Asset Management Co., Ltd. since October 2018 and a director of Shanghai Electric Insurance Limited since January 2019. Mr. Li has served as a director of Sun Mao International Trading Co., Limited since June 2019, a general manager of Shanghai Electric Insurance Limited since November 2019, a director of Shanghai Electric Hong Kong Treasury Management Co., Limited since December 2019 and the vice president of Shanghai Electric Finance Group (上海電氣金融集團) since January 2021.

Mr. Li held various positions in the turbine factory of Shanghai Electric Power Generation Equipment Co., Ltd. from April 2008 to February 2014, including a staff member of the financial department from April 2008 to June 2011, an assistant to the manager of the financial department from June 2011 to December 2013 and the deputy manager of the financial department from December 2013 to February 2014. Mr. Li was the manager of the assets and financial department of Shanghai Heavy Machinery Plant Co., Ltd. from February 2014 to October 2015 and the deputy general manager of Shanghai Electric Heavy Machinery Casting Forging Co., Ltd. from October 2015 to May 2018.

Mr. Li obtained a bachelor's degree in energy and power engineering and a master's degree in management science and engineering (industrial engineering) from Shanghai Jiao Tong University in June 2005 and March 2008, respectively. Mr. Li was qualified as a senior economist by Shanghai Municipal Human Resources and Social Security Bureau in February 2017.

**Ms. Zhou Jianli** (周劍麗), aged 48, is our executive Director and general manager. Ms. Zhou joined the Company as chief financial officer in February 2014, has served as deputy general manager and chief financial officer from August 2015 to May 2020 and has served as a Director and the general manager since May 2017 and May 2020, respectively. Ms. Zhou has served as a director of Haitong UniFortune, Haitong UniFortune Financial Leasing and Shanghai UniCircle Investment & Development Co., Ltd. since April 2017. She has been a director of Shanghai Dingjie Construction Development Co., Ltd. since June 2018, the chairman of the board of directors of Haitong UniFortune Financial Leasing since August 2018 and a director of Gui'an UT since September 2020.

Ms. Zhou served as the Youth League secretary and teaching assistant of the College of Foreign Languages in Northeast Forestry University in the PRC from July 1993 to August 1995 and a lecturer of the College of Economics and Management in Northeast Forestry University in the PRC from December 1997 to February 2000. Ms. Zhou served in various positions at Haitong Securities from February 2000 to March 2014, including the manager of the planning finance department of Harbin business department from February 2000 to August 2002, officer of the finance and accounting department from August 2002 to June 2004, senior executive officer of the finance and accounting department from June 2004 to July 2007, assistant manager

of the financial management department of the planning finance department from July 2007 to August 2009, manager of the financial management department of the planning finance department from September 2009 to February 2013 and assistant to general manager of the planning finance department from March 2013 to February 2014. Ms. Zhou was the chief financial officer of Haitong UT Capital from February 2014 to June 2017 and a supervisor of Gui'an UT from January 2017 to September 2020.

Ms. Zhou obtained a bachelor of engineering degree in wood processing from Northeast Forestry University in the PRC in July 1993 and a master's degree in business administration from the Harbin Institute of Technology in the PRC in December 1997. Ms. Zhou obtained a qualification of Certified Tax Agent issued by the Ministry of Personnel of the PRC and the State Taxation Administration in June 2005, a qualification of Chinese Certified Public Accountant issued by the Ministry of Finance in May 1998 and was accredited as a senior accountant by Shanghai Municipal Human Resources and Social Security Bureau in the PRC in December 2011.

**Mr. Wu Shukun** (吳淑琨), aged 48, is our non-executive Director. Mr. Wu has been appointed as a Director of the Company since April 2017. Mr. Wu also serves as general manager of the strategic development department of Haitong Securities since February 2017, a director of Haitong UT Capital since March 2017, a director of HFT Investment Management Co., Ltd. since April 2017 and a director of Shanghai Haitong Securities Asset Management Co., Ltd. since March 2020.

Mr. Wu served as a postdoctoral researcher of Nanjing University in the PRC from November 1999 to October 2001. Mr. Wu has successively served in various positions in Haitong Securities since November 2001, including researcher from November 2001 to February 2004, manager of the macro research department from February 2004 to May 2005, assistant to director of the research institute from May 2005 to March 2008, deputy general manager of the institutional business department from March 2008 to February 2013, deputy general manager (in charge) of the corporate and private customers department from March 2013 to May 2015, general manager of the corporate finance department from May 2015 to February 2017 and a director of Shanghai Haitong Resource Management Co., Ltd. from March 2017 to November 2019.

Mr. Wu obtained a bachelor of engineering degree in industrial management and engineering from Xi'an Jiaotong University in the PRC in July 1994, a master's degree in systems engineering from Xi'an Jiaotong University in the PRC in April 1997 and a doctoral degree in management science and engineering management from Xi'an Jiaotong University in the PRC in December 1999. He obtained the qualification to engage in securities investment consultation business (investment consultant) issued by the Securities Association of China in March 2011.

**Mr. Zhang Shaohua** (張少華), aged 53, is our non-executive Director. Mr. Zhang has been appointed as a Director of the Company since January 2014. Mr. Zhang also serves as a director of Haitong Futures Co., Ltd. since June 2019, director of Shanghai Haitong Securities Asset Management Co., Ltd. since October 2019 and general manager of the capital management department of Haitong Securities since December 2019.

Mr. Zhang worked for the finance and accounting department of Haitong Securities Company Limited from June 1996 to February 2004, during which he served as an investment officer from June 1996 to March 2001 and the assistant manager of the integrated management department from March 2001 to February 2004. Mr. Zhang has served in various positions

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in Haitong Securities since February 2004, including manager of the integrated management department of the finance and accounting department from February 2004 to March 2006, manager of the capital management department of the finance department from March 2006 to May 2007, assistant to general manager of the finance department from May 2007 to February 2013 and deputy general manager of the finance department from March 2013 to October 2015. Mr. Zhang served as a director of Haitong Innovation Securities Investment Co., Ltd. from March 2012 to May 2019, the deputy general manager of the capital management department of Haitong Securities from October 2015 to March 2019, the deputy general manager (in charge) of the capital management department of Haitong Securities from March 2019 to December 2019 and a director of Haitong UniFortune Financial Leasing from April 2014 to October 2020.

Mr. Zhang graduated with a diploma in industrial accounting from Shanghai Mechanical and Electronic Engineering Technology University in the PRC in January 1995, and a bachelor's degree in law from the Open College of the Party School of the Central Committee of the Communist Party of China in December 2005. Mr. Zhang obtained the qualification to engage in securities business issued by the Securities Association of China in March 2004.

**Mr. Jiang Yulin** (蔣玉林), aged 62, is our independent non-executive Director. Mr. Jiang has been appointed as an independent non-executive Director of the Company in May 2017.

Mr. Jiang served in various positions in the PBOC from November 1979 to November 1985, including officer of the credit office of Linquan County branch, Fuyang City, Anhui Province from November 1979 to January 1984 and deputy head and head of credit office of Linquan County Branch, Fuyang City, Anhui Province from January 1984 to November 1985. Mr. Jiang served in various positions in the Industrial and Commercial Bank of China from November 1985 to February 2015, including the vice president of Linquan County branch, Fuyang City, Anhui Province from November 1985 to May 1988, president of Jieshou City branch, Fuyang City, Anhui Province from May 1988 to December 1991, vice president of Fuyang City Branch, Anhui Province from December 1991 to September 1997, president of Wuhu City Branch, Anhui Province from September 1997 to September 2000, vice president of Anhui Branch from September 2000 to October 2006, president of Yunnan Branch from October 2006 to July 2010, general manager of the credit business department of the headquarters from July 2010 to January 2014 and general manager of the information management department from January 2014 to February 2015. Mr. Jiang served as an independent supervisor of Maanshan Iron & Steel Company Limited (a company listed on the Shanghai Stock Exchange (stock code: 600808) and the Hong Kong Stock Exchange (stock code: 0323)) from September 2002 to August 2005. Mr. Jiang served as the chairman of the board of directors of ICBC Financial Leasing Co., Ltd. from January 2015 to May 2016 and non-executive director, chairman of the Risk Management Committee and member of the audit committee of Industrial and Commercial Bank of China (Asia) Limited from August 2015 to May 2016. Mr. Jiang has also served as an executive director of City e-Solutions Limited (currently known as China Tian Yuan Healthcare Group Limited) (a company listed on the Hong Kong Stock Exchange (stock code: 0557)) from August 2016 to March 2020 and chairman and member of the Nomination Committee from September 2016 to March 2020.

Mr. Jiang obtained a doctorate's degree in economics from Wuhan University in the PRC in December 2013. Mr. Jiang was qualified as a senior economist issued by the Appraisal and Approval Committee for Professional & Technical Competence of the Industrial and Commercial Bank of China in August 1997.

**Mr. Yao Feng** (姚峰), aged 60, is our independent non-executive Director. Mr. Yao has been appointed as an independent non-executive Director of the Company in May 2020. Mr. Yao was an adjunct professor of China University of Political Science and Law from June 2015 to June 2018 and has been a council member of the Business School of China University of Political Science and Law since May 2017.

Mr. Yao successively served as an officer, deputy chief officer, chief officer and deputy director of the statistics and research division of the integrated planning department of the Ministry of Finance of the PRC from August 1983 to March 1993, a deputy department manager and general manager of China Economic Development Trust & Investment Corporation from March 1993 to April 1997, a deputy general manager of the financial and securities department of China Travel Service (Holdings) Hong Kong Limited from April 1997 to July 1998 and a deputy general manager of China Travel Financial Investment Holdings Co., Limited from July 1998 to June 1999. Mr. Yao served as a director of Konka Group Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code for A shares: 000016.SZ and stock code for B shares: 200016.SZ) from April 1998 to June 1999. Mr. Yao successively served in various positions of the China Securities Regulatory Commission from June 1999 to May 2013, including the director of institution regulatory department from June 1999 to February 2002, a party committee member and deputy officer of Guangzhou Securities Regulatory Office from February 2002 to January 2004, a party committee member and deputy director of Guangzhou Regulatory Bureau from January 2004 to August 2004, a deputy officer of the risk management office for securities companies from August 2004 to June 2008, an inspector and deputy officer of the accounting department from June 2008 to September 2011 and a commissioner of Shanghai Supervision Office of the Commissioner from September 2011 to May 2013. Mr. Yao successively served in China Association of Public Companies from May 2013 to April 2016 as the secretary of the party committee, the executive vice-chairman and legal representative, and served as the secretary of the party committee and vice-chairman of China Association of Public Companies from April 2016 to April 2017. Mr. Yao was a member of the first session of self-regulatory committee of the council the Shenzhen Stock Exchange from December 2014 to December 2017 and served as the deputy mayor of Hangzhou Municipal People's Government from June 2017 to October 2019. Mr. Yao served as the deputy secretary of the party committee and the chairman of the board of supervisors of China Association of Public Companies from June 2019 to September 2019.

Mr. Yao obtained a bachelor's degree in national economic plan from Hubei Institute of Finance and Economics (currently known as Zhongnan University of Economics and Law) in August 1983 and a master's degree in monetary banking from Zhongnan University of Finance and Economics (currently known as Zhongnan University of Economics and Law) in June 1997. He also received a qualification certificate as independent director from Shenzhen Stock Exchange in the PRC (No: 2011126328) in May 2020.

**Mr. Zeng Qingsheng** (曾慶生), aged 46, is our independent non-executive Director. Mr. Zeng has been appointed as an independent non-executive director of the Company in May 2017. Mr. Zeng has served as the associate professor, doctoral supervisor, professor and deputy dean of the School of Accounting of Shanghai University of Finance and Economics in the PRC since March 2010 and an independent director of Shanghai Wanye Enterprises Co., Ltd. (a company listed on the Shanghai Stock Exchange (stock code: 600641)) since December 2015.

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Mr. Zeng worked as a lecturer and associate professor of the Faculty of Accounting of Antai College of Economics and Management of Shanghai Jiao Tong University in the PRC from April 2005 and March 2010. Mr. Zeng served as an independent director of Suzhou Sunmun Technology Co., Ltd. (a company listed on the Shenzhen Stock Exchange (stock code: 300522)) from April 2010 to September 2016, an independent director of Jiangsu Feiliks International Logistics Inc. (a company listed on the Shenzhen Stock Exchange (stock code: 300240)) from May 2014 to May 2017, an independent director of Jiangsu Skyray Instrument Company Limited (a company listed on Shenzhen Stock Exchange (stock code: 300165)) from April 2015 to April 2018, an independent director of Orient-Chip Technology Co. Ltd. from September 2015 to May 2018, an independent director of Sunsea Telecommunications Co., Ltd. (now known as Sunsea AIoT Technology Co., Ltd.) (a company listed on the Shenzhen Stock Exchange (stock code: 002313) from August 2016 to September 2018 and an independent director of Jiangsu Yixing Rural Commercial Bank Co., Ltd. from June 2017 to February 2019.

Mr. Zeng obtained a bachelor's degree in accounting from China Textile University (currently known as Donghua University) in the PRC in July 1998, a master's degree in accounting and professional management from Shanghai University of Finance & Economics in the PRC in February 2001, a doctoral degree in accounting and professional management from Shanghai University of Finance & Economics in the PRC in March 2005 and a visiting scholar of Rensselaer Polytechnic Institute in the U.S. from August 2010 to August 2011. Mr. Zeng also obtained a qualification of non-practising member issued by The Chinese Institute of Certified Public Accountants in the PRC in December 2009, a qualification certificate as independent director from Shanghai Stock Exchange in the PRC (No: 210059) in August 2012, a certificate of qualified senior management (independent director) of listed companies from Shenzhen Stock Exchange in the PRC (No: 1406013435) in November 2014, a certificate of qualified senior management (independent director) of listed companies from Shenzhen Stock Exchange in the PRC (No: 1607617675) in September 2016 and a certificate of qualified senior management (independent director) from Shanghai Stock Exchange in the PRC (No: D1804063) in November 2018.

**Mr. Wu Yat Wai** (胡一威), aged 53, is our independent non-executive Director. Mr. Wu has been appointed as an independent non-executive Director of the Company in May 2017. He has served as an independent non-executive director of C&D Property Management Group Co., Ltd (a company listed on the Hong Kong Stock Exchange (stock code: 2156)) since December 2020.

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

Mr. Wu obtained a bachelor's degree in business administration from Hong Kong Baptist College (currently known as Hong Kong Baptist University) in September 1991 and a master's degree in accounting and finance from London School of Economics and Political Science in the United Kingdom in August 1992.



**Mr. Yan Lixin** (嚴立新), aged 57, is our independent non-executive Director. Mr. Yan has been appointed as an independent non-executive Director of the Company in May 2020. Mr. Yan has served as an associate professor of Institute for Financial Studies of School of Economics of Fudan University since August 2008 and an executive officer of China Centre for Anti-Money Laundering Studies of Fudan University since January 2017. Mr. Yan was elected as the only Chinese council member of the International Network of AML/CFT Institute in November 2017.

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

Mr. Yan obtained a bachelor's degree in English from Xuzhou Normal College (currently known as Jiangsu Normal University) in June 1985, a master's degree in dynamic management from the School of Management of Fudan University (BI) in January 2001 and a doctoral degree in world economics from the School of Economics of Fudan University in June 2006.

### SUPERVISORS

**Ms. Zhou Tao** (周陶), aged 41, is our Chairwoman of the Board of Supervisors and a Shareholder representative Supervisor. Ms. Zhou has served as the Chairwoman of the Board of Supervisors and a Shareholder representative Supervisor of the Company since May 2020. She served in the compliance management position of the Company from November 2016 to November 2019 and has served as a general manager of the compliance and legal department of Haitong Securities since December 2019.

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

Ms. Zhou obtained a bachelor's degree and a master's degree in finance from Southwestern University of Finance and Economics in June 2001 and June 2004, respectively. Ms. Zhou was accredited as a certified public accountant in April 2004 and a certified public valuer in November 2004 and was also qualified as an intermediate economist in December 2016.

**Ms. Zhao Yue** (趙越), aged 38, is our employee representative Supervisor. Ms. Zhao joined the Company in August 2016 as the person-in-charge of the Party Affairs Department of the Human Resources Department. She has served as the assistant to the general manager of the Party Affairs Department since September 2016 and the employee representative Supervisor since May 2017.



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Ms. Zhao served in various positions at the Coast Guard Unit of Shanghai Defence Forces of the People's Armed Police from June 2008 to July 2016, including staff officer of the investigation team of the command department from June 2008 to July 2009, officer of the cadres department of the political office from July 2009 to March 2013 and deputy chief of the cadres department of the political office from March 2013 to July 2016.

Ms. Zhao obtained a bachelor's degree in border defense management from The Chinese People's Armed Police Force Academy in the PRC in June 2005 and a master's degree in military science from The Chinese People's Armed Police Force Academy in the PRC in June 2008. Ms. Zhao was accredited as an accountant by the Financial Bureau of Pudong New District of Shanghai in the PRC in January 2017.

**Mr. Chen Xinji** (陳新計), aged 34, is our employee representative Supervisor. Mr. Chen joined the Company as an assistant to the general manager of the Treasury Management Department in November 2016 and has been the deputy general manager of the Treasury Management Department since September 2020 and an employee representative Supervisor since June 2017.

Mr. Chen served in various positions in Haitong Securities from July 2007 to October 2016, including financial management controller of the finance department from July 2007 to March 2014, statistical information controller of the finance department from March 2014 to November 2015 and assistant manager of the accounting and auditing department of the finance department from November 2015 to October 2016.

Mr. Chen obtained a bachelor's degree in accounting from Guanghua School of Management of Peking University in the PRC in July 2007 and a master's degree in business administration from China Europe International Business School in the PRC in August 2017. Mr. Chen was accredited as an accountant by the Financial Bureau of Beijing in the PRC in November 2007 and obtained the qualification to engage in securities business issued by the Securities Association of China in August 2009.

### SENIOR MANAGEMENT

**Ms. Zhou Jianli** (周劍麗), aged 48, is our executive Director and general manager. See “— Directors” in this section for the biography of Ms. Zhou.

**Ms. Wu Jian** (吳健), aged 47, is our deputy general manager and chief human resources officer. Ms. Wu joined the Company in November 2014 as the chief human resources officer, served as the assistant to general manager and the chief human resources officer since August 2015 and deputy general manager since March 2019.

Ms. Wu served in various positions in Haitong Securities from July 1996 to November 2014, including secretary of the general manager office from July 1996 to June 2002, officer of the human resources development department from June 2002 to June 2004, senior officer of the human resources development department from June 2004 to October 2005, deputy manager and manager of the manpower deployment department of the human resources department from November 2005 to April 2014 and manager of the talent management department of the human resources department and assistant to general manager from April 2014 to November 2014.

Ms. Wu obtained a bachelor of law degree in secretarial profession from Shanghai Normal University in the PRC in July 1996 and a master's degree in finance from Shanghai University of Finance and Economics in the PRC in January 2007.

**Mr. Liu Heping** (劉和平), aged 52, is our deputy general manager and chief legal officer. Mr. Liu joined the Company in November 2014 as chief legal officer and has been a deputy general manager and chief legal officer since August 2015.

Mr. Liu served in various positions in Haitong Securities from July 2000 to November 2014, including officer of the general manager office from July 2000 to June 2002, assistant manager of the legal department of the general manager office from June 2002 to February 2004, division head of the legal department of the general manager office from February 2004 to January 2007, assistant to general manager of the risk and asset management department from January 2007 to September 2008, officer of the compliance office from September 2008 to February 2009, assistant to general manager of the compliance department from March 2009 to March 2011 and assistant to general manager of the compliance and risk management department from March 2011 to November 2014.

Mr. Liu obtained a bachelor of law degree in moral and political education from Anhui Normal University in the PRC in July 1993, a master of law degree in economic law from East China College of Political Science and Law (currently known as East China University of Political Science and Law) in the PRC in July 2000 and a doctoral degree in international law from East China College of Political Science and Law (currently known as East China University of Political Science and Law) in June 2005. Mr. Liu was qualified as a lawyer issued by the Department of Justice of Anhui Province in the PRC in May 1994.

**Mr. Fu Da** (傅達), aged 34, is our deputy general manager, chief risk officer, secretary to the Board and a joint company secretary. Mr. Fu joined the Company in December 2014 as the general manager of High-End Customers Department. He was appointed as the assistant to general manager in November 2015, secretary to the Board in May 2017 and deputy general manager and chief risk officer in March 2019.

Mr. Fu has served in various positions in Haitong Securities from September 2009 to December 2014, including an officer of the investment banking department from September 2009 to July 2011, manager of the investment banking department from July 2011 to April 2012 and senior manager of the investment banking department from April 2012 to December 2014.

Mr. Fu obtained a bachelor's degree in finance from Jinan University in the PRC in June 2008 and a master's degree in finance and economics from The London School of Economics and Political Science in the United Kingdom in July 2009.

**Mr. Lu Yang** (路陽), aged 41, is our deputy general manager. Mr. Lu joined the Company in August 2010 and has served in various positions, including the chief marketing officer and general manager of the Machinery Business Department from August 2010 to February 2012, general manager of the Industrial Equipment Business Department from March 2012 to February 2014, vice president managing the industrials from March 2014 to November 2015, assistant to general manager from November 2015 to February 2019 and deputy general manager since March 2019. Mr. Lu has served as the chairman of the board of directors and a director of Shanghai Dingjie Construction Development Co., Ltd since July 2020 and the chairman of the board of directors and a director of Gui'an UT since September 2020.

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

Mr. Lu obtained a bachelor's degree in business administration from Shanghai Jiao Tong University in the PRC in July 2002 and a master's degree in business administration from Fudan University in the PRC in June 2010.

**Mr. Gao Yong** (高勇), aged 58, is the compliance officer of the Company. Mr. Gao has served as general manager of the Strategic Development Department of the Company from September 2015 to September 2020 and was appointed as compliance officer in August 2018. He has been a supervisor of Shanghai Dingjie Construction Development Co., Ltd. since June 2018.

Mr. Gao worked in the Xiaodongmen sub-branch and credit division of the Nan City branch of Shanghai (subsequently merged with the Huangpu branch of Shanghai) of Industrial and Commercial Bank of China from September 1981 to December 1996. He successively served as the deputy head of credit division, deputy head of credit review division, deputy head of credit customer department 1, assistant manager of financial business department and assistant manager of credit management department in Zhoujiadu sub-branch of the Pudong branch of Industrial and Commercial Bank of China from December 1996 to December 2005. Mr. Gao served as vice president of Pudong Avenue sub-branch of Industrial and Commercial Bank of China from January 2006 to December 2013 and the assistant manager (market 2) of Pudong branch of Shanghai of Industrial and Commercial Bank of China from January 2014 to July 2015.

Mr. Gao obtained an associate's degree in financial studies from Shanghai University of Finance and Economics in June 1987, a research master's degree in business management from City University of Macau (formerly known as Asia International Open University (Macau)) in March 2000 and a bachelor's degree in management from Air Force Engineering University in June 2005.

**Mr. He Chen** (何晨), aged 56, is the assistant to the general manager of the Company. Mr. He has been the head of the general manager office of the Company since January 2017 and the assistant to the general manager since August 2018.

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

and urban-rural development committee of Wuhu from March 2013 to September 2013, the head of housing and urban-rural development committee of Wuhu, Secretary of the Communist Party and the deputy secretary of Chengdong New District municipal communist party committee from September 2013 to May 2014, the head of housing and urban-rural development committee of Wuhu, Secretary of the Communist Party, the deputy secretary of Chengdong New District municipal communist party committee and of the head of Wuhu Housing Expropriation Administration Office (acting) from May 2014 to May 2016 and the head of housing and urban-rural development committee of Wuhu, Secretary of the Communist Party and the head of Wuhu Housing Expropriation Administration Office from May 2016 to December 2016.

Mr. He graduated from the Nanjing Army College in July 1985 and obtained a bachelor's degree in economics from Party School of the Central Committee in December 1996.

**Ms. Sang Linna** (桑琳娜), aged 44, is the assistant to the general manager of the Company. Ms. Sang joined the Company in April 2009 and served as general manager of Business Department and vice president of business from April 2009 to August 2015 and executive deputy general manager and chief operating officer of Gui'an UT from April to October 2018. She joined the Company again in November 2018 and has served as assistant to general manager of the Company since March 2019.

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

Ms. Sang graduated from North China University of Technology in July 1999 with a major in international trade and obtained a master's degree in business administration from Shanghai Jiao Tong University in June 2010.

## 2. CHANGE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Ren Peng has ceased to serve as a director of Haitong UniFortune Financial Leasing since October 2020.

Mr. Ding Xueqing has ceased to serve as the chairman of the board of directors of Shanghai Dingjie Construction Development Co., Ltd. since July 2020 and the vice chairman of the board of directors of Gui'an UT since September 2020.

Ms. Ha Erman has served as a director of China Cultural Industry Investment FOF Management Co., Ltd. since October 2020.

Mr. Li Chuan has served as the vice president of Shanghai Electric Finance Group since January 2021.

Ms. Zhou Jianli has served as a director of Gui'an UT and ceased to serve as a supervisor of Gui'an UT since September 2020.

Mr. Zhang Shaohua has ceased to serve as a director of Haitong UniFortune Financial Leasing since October 2020.

## Directors, Supervisors and Senior Management

Mr. Yo Shin has ceased to serve as an independent non-executive Director of the Company since December 2020.

Mr. Wu Yat Wai has served as an independent non-executive director of C&D Property Management Group Co., Ltd since December 2020.

Mr. Chen Xinji has served as the deputy general manager of the Treasury Management Department of the Company since September 2020.

Mr. Lu Yang has served as the chairman of the board of directors and a director of Shanghai Dingjie Construction Development Co., Ltd since July 2020 and the chairman of the board of directors and a director of Gui'an UT since September 2020.

Mr. Gao Yong has ceased to serve as the general manager of the Strategic Development Department of the Company since September 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 2020 interim report of the Company.

# Corporate Governance Report

The Board is pleased to present the corporate governance report of the Company for the year ended December 31, 2020.

## 1. CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining a high level of corporate governance in order to protect the rights of its Shareholders, enhance corporate value and improve the effectiveness of its development strategy as well as the transparency and accountability of the Group. The Company has adopted the corporate governance code set out in Appendix 14 to the Hong Kong Listing Rules (the “Corporate Governance Code”) as its corporate governance practices.

During the Reporting Period, the Company complied with all the provisions set out in the Corporate Governance Code.

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

## 2. MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

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

## 3. SHAREHOLDERS’ GENERAL MEETING

### Functions and Powers of Shareholders’ General Meeting

The Shareholders’ general meeting is the organ of authority of the Company, and is composed of all Shareholders of the Company. The Shareholders’ general meeting shall exercise the following major functions and powers:

- (1) to decide on the operating policies and investment plans of the Company;
- (2) to elect and replace Directors, and to determine the remuneration of the relevant Directors;
- (3) to elect and replace Shareholder representative Supervisors, and to determine the remuneration of the relevant Supervisors;

- (4) to consider and approve the reports of the Board and the Board of Supervisors;
- (5) to consider and approve the proposed annual financial budgets, final accounts, profit distribution plans, loss recovery plans and share incentive plans of the Company;
- (6) to adopt resolutions on matters such as any increase or reduction of the registered capital, merger, division, dissolution, liquidation or change of corporate form of the Company, issuance of bonds, appointments, dismissals or non-reappointments of accounting firm and amendments to the Articles of Association of the Company;
- (7) to consider and approve proposals made by Shareholders representing not less than three percent (3%) (including 3%) of the voting shares of the Company separately or in aggregate;
- (8) to consider and approve any single guarantee provided by the Company with an amount exceeding 10% of the latest audited net assets of the Company, or any external guarantee with a total amount reaching or exceeding 30% of the latest audited total assets of the Company, or any external guarantee provided by the Company and its subsidiaries with a total amount reaching or exceeding 50% of the latest audited net assets of the Company and such subsidiaries, or any external guarantee provided to any party with a asset-liability ratio of over 70%;
- (9) to consider and approve acquisition or disposal of any material asset with an amount exceeding 30% of the latest audited total assets of the Company within one year.

### Shareholders' General Meetings

A Shareholders' general meeting shall either be an annual general meeting or an extraordinary general meeting. The annual general meeting is convened once a year and shall be held within six months from the end of the preceding accounting year. A written notice of a Shareholders' general meeting convened by the Company shall be given 45 days prior to the convening of such meeting (inclusive of the day on which the meeting is held), and a notice in the form of announcement shall be given 45 to 50 days prior to the convening of such meeting, to all Shareholders whose names appear in the register of Shareholders specifying the matters to be considered at the meeting and the date and venue of the meeting.

During the Reporting Period, the Company convened 3 Shareholders' general meetings and considered and approved 13 resolutions related to profit distribution, amendments to the Articles of Association, election of new session of the Board and the Board of Supervisors, review of reports, changes to the name and registered address of the Company, re-appointment of auditor, grant of general mandate in relation to external guarantees and grant of general mandate to issue shares.

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

Director	Number of meetings attended/ should have attended
Mr. Ren Peng	3/3
Mr. Ding Xueqing	3/3
Ms. Ha Erman	3/3
Mr. Li Chuan	3/3
Ms. Zhou Jianli	3/3
Mr. Wu Shukun	3/3
Mr. Zhang Shaohua	3/3
Mr. Jiang Yulin	3/3
Mr. Yao Feng <sup>(1)</sup>	2/2
Mr. Yo Shin <sup>(2)</sup>	3/3
Mr. Zeng Qingsheng	3/3
Mr. Wu Yat Wai	3/3
Mr. Yan Lixin <sup>(3)</sup>	2/2

(1) Mr. Yao Feng has been an independent non-executive Director of the Company since May 2020.

(2) Mr. Yo Shin ceased to serve as an independent non-executive Director of the Company with effect from December 2020.

(3) Mr. Yan Lixin has been an independent non-executive Director of the Company since May 2020.

## 4. BOARD OF DIRECTORS

### Functions and Powers of the Board

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

- (1) to convene Shareholders' general meetings and to report on its work to the Shareholders' general meetings;
- (2) to implement the resolutions of the Shareholders' general meetings;
- (3) to decide on the business plans and investment plans of the Company;
- (4) to formulate the annual financial budget and final accounts of the Company;



## Corporate Governance Report

- (5) to formulate the plans for profit distribution and making up losses of the Company;
- (6) to formulate proposals for the increase or reduction of the registered capital and the issue of corporate bonds of the Company;
- (7) to formulate proposals for the acquisition and disposal of the material assets of the Company and plans for merger, division or dissolution of the Company;
- (8) to decide on the establishment of the internal management structure of the Company;
- (9) to appoint or remove the general manager and secretary to the Board of the Company, to appoint or remove senior management, such as the deputy general manager, chief financial officer, chief risk officer (risk control officer), chief compliance officer and assistant to the general manager based on the recommendations of the general manager, and to decide on their remuneration;
- (10) to formulate proposals for any amendment to the Articles of Association;
- (11) to approve the guarantees which are not subject to the approval of the Shareholders' general meeting;
- (12) to approve the acquisition and disposal of material assets of the Company which are not subject to the approval of the Shareholders' general meeting;
- (13) to formulate the basic management system of the Company;
- (14) to determine other material matters and administrative matters, and to execute other significant agreements, except for the matters to be resolved at the Shareholders' general meeting in accordance with the Company Law and the Articles of Association;
- (15) to propose the appointment or removal of accounting firm as the auditor of the Company to the Shareholders' general meeting;
- (16) to manage the matters in relation to the information disclosure of the Company;
- (17) to decide on the risk management system of the Company;
- (18) to exercise other functions or powers conferred by the Shareholders' general meeting and the Articles of Association.

## Composition of the Board

The Board currently consists of 12 Directors, among which, two are executive Directors, five are non-executive Directors and five are independent non-executive Directors. Details are as follows:

### Executive Directors:

Mr. Ding Xueqing (chairman of the Board)

Ms. Zhou Jianli

### Non-executive Directors:

Mr. Ren Peng

Ms. Ha Erman

Mr. Li Chuan

Mr. Wu Shukun

Mr. Zhang Shaohua

### Independent non-executive Directors:

Mr. Jiang Yulin

Mr. Yao Feng

Mr. Zeng Qingsheng

Mr. Wu Yat Wai

Mr. Yan Lixin

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

## Corporate Governance Report

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

### Meetings of the Board

The Board shall hold at least 4 meetings in each year. Notices of such meetings shall be served to all of the Directors and Supervisors at least fourteen (14) days before the dates of the meetings in order to give all Directors the opportunity to attend meetings on a regular basis and discuss matters on the agenda.

During the Reporting Period, the Board held 12 Board meetings and considered and approved 43 resolutions related to business development, asset transactions, donation, system amendment, review of reports, profit distribution, election of new session of the Board, appointment of senior management, operation examination and assessment, establishment of subsidiaries, mandate for guarantees, mandate for investments, mandate to issue shares, and changes to the name and registered address of the Company. Attendance of the Board meetings by Directors is set out as follows:

Director	Number of meetings attended/ should have attended
Mr. Ren Peng	12/12
Mr. Ding Xueqing	12/12
Ms. Ha Erman	12/12
Mr. Li Chuan	12/12
Ms. Zhou Jianli	12/12
Mr. Wu Shukun <sup>(1)</sup>	11/12
Mr. Zhang Shaohua	12/12
Mr. Jiang Yulin	12/12
Mr. Yao Feng <sup>(2)</sup>	8/8
Mr. Yo Shin <sup>(3)</sup>	10/10
Mr. Zeng Qingsheng	12/12
Mr. Wu Yat Wai	12/12
Mr. Yan Lixin <sup>(4)</sup>	8/8

(1) Mr. Wu Shukun did not attend the 3rd meeting of the second session of the Board but appointed Mr. Zhang Shaohua as his proxy.

(2) Mr. Yao Feng has been an independent non-executive Director of the Company since May 2020.

(3) Mr. Yo Shin ceased to serve as an independent non-executive Director of the Company with effect from December 2020.

(4) Mr. Yan Lixin has been an independent non-executive Director of the Company since May 2020.

## Chairman of the Board and General Manager

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

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

- (1) to preside over Shareholders' general meetings and convene and preside over meetings of the Board;
- (2) to supervise the implementation of the resolutions passed by the Board;
- (3) to sign the securities issued by the Company;
- (4) to exercise other functions and powers conferred by the Board.

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

- (1) to be in charge of the operation and management of the Company and to organize the implementation of the resolutions of the Board;
- (2) to organize the implementation of the annual business plans and investment plans of the Company;
- (3) to formulate plans for the establishment of the internal management structure of the Company;
- (4) to formulate plans for the establishment of the branches of the Company;
- (5) to formulate the basic management system of the Company;
- (6) to formulate basic rules and regulations of the Company;
- (7) to propose the appointment or removal of deputy general managers, chief financial officer, chief risk officer (risk control officer), compliance officer, assistants to general manager and other senior management;
- (8) to appoint or remove the management personnel other than those required to be appointed or removed by the Board;
- (9) to exercise other functions and powers conferred by the Articles of Association and the Board.

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

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

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

The day-to-day management, administration and operations of the Group are delegated to the senior management. The Board reviews the functions and responsibilities authorized to the senior management on a regular basis. The management shall obtain approval from the Board before entering into any major transactions.

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

## **Independent Non-executive Directors**

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

The Company has received confirmation of the independence of each of the independent non-executive Directors in accordance with Rule 3.13 of the Listing Rules. The Company considers that all the independent non-executive Directors were independent persons during the Reporting Period under Rule 3.13 of the Listing Rules.

## Re-appointment of Non-executive Directors and Directors

The current non-executive Directors of the Company are Mr. Ren Peng, Ms. Ha Erman, Mr. Li Chuan, Mr. Wu Shukun, and Mr. Zhang Shaohua, and the term of office is from the date of appointment to the date of expiry of the second session of the Board.

Non-executive Directors provide the Board with extensive business and financial expertise, experience and independent judgment. All non-executive Directors actively participate in Board meetings, play a leading role in management of issues involving potential conflicts of interest, serve professional committees of the Board, and contribute to the effective management of the Company in various aspects.

Provision A.4.1 of the Corporate Governance Code stipulates that non-executive directors shall have a fixed term of office and shall be subject to re-election. According to the Articles of Association of the Company, each Director of the Company shall have a fixed term of three years subject to the approval of the Shareholders' general meeting of the Company, and his/her term of office shall be renewable upon re-election at the Shareholders' general meeting of the Company.

## Continuous Professional Development of Directors

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

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

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

## Corporate Governance Report

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

Director	Type of training received by Director <sup>Note</sup>
Mr. Ren Peng	A
Mr. Ding Xueqing	A
Ms. Ha Erman	A
Mr. Li Chuan	A
Ms. Zhou Jianli	A
Mr. Wu Shukun	A
Mr. Zhang Shaohua	A
Mr. Jiang Yulin	A
Mr. Yao Feng	A
Mr. Yo Shin	A
Mr. Zeng Qingsheng	A
Mr. Wu Yat Wai	A
Mr. Yan Lixin	A

Note: Types of training

A: Participate in training courses and reading materials regarding duties and responsibilities of Director, including but not limited to presentations, seminars, conferences and lectures.

## 5. PROFESSIONAL COMMITTEES OF THE BOARD

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

The majority of the members of each Board committee are independent non-executive Directors or non-executive Directors. The list of chairman and members of each Board committee is set out in the section headed "Company Profile" in this report.

## Audit Committee

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

The main responsibilities of the Audit Committee are as follows:

- (1) reviewing the financial information of the Company and its disclosure;
- (2) monitoring the integrity of the financial statements and annual reports and accounts, interim reports and quarterly reports (if any) of the Company, and reviewing significant opinions contained therein in respect of relevant financial reporting. The Audit Committee shall consider any significant or unusual matters reflected or required to be reflected in such reports and accounts, and shall give due consideration to any matters raised by the accounting and financial reporting staff, compliance officers or external auditors of the Company;
- (3) reviewing and evaluating the financial control system and internal audit system of the Company;
- (4) discussing the internal control system with the management to ensure that the management has performed its duty to have an effective internal control system. The discussion should include adequacy of the resources, staff qualifications and experience, training programs and budgets thereof in relation to accounting and financial reporting function of the Company;
- (5) considering major investigation findings on internal control matters and the response of the management to these findings on its own initiative or as delegated by the Board;
- (6) conducting all types of specific audits and liaising with the internal audit department and external auditor so as to coordinate their works; ensuring that the internal audit department is adequately resourced and has appropriate standing within the Company, and examining the effectiveness of internal audit function;
- (7) reviewing the financial and accounting policies and practices of the Group;
- (8) providing advice and suggestions on the appraisals and replacement of the head of the internal audit department of the Company;
- (9) proposing the appointment, re-appointment or change of the external auditor, approving the remuneration and terms of engagement of the external auditor;
- (10) reviewing and monitoring the independence and objectivity of the external auditor and the effectiveness of the audit process in accordance with the applicable standards. The Audit Committee shall discuss with the external auditor the nature and scope of the audit and the relevant reporting obligations before the audit commences, and shall develop and implement policies on the provision of non-audit services by the external auditor;



## Corporate Governance Report

- (11) acting as the representative of the Company and the external auditor and monitoring their relationship;
- (12) other responsibilities as stipulated in the Articles of Association and other relevant matters as authorized by the Board.

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

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

The annual results of the Company for the year ended December 31, 2020 have been reviewed by the Audit Committee.

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

Director	Number of meetings attended/ should have attended
Mr. Zeng Qingsheng (chairman)	2/2
Mr. Zhang Shaohua	2/2
Mr. Yo Shin <sup>(1)</sup>	2/2
Mr. Yan Lixin <sup>(2)</sup>	0/0

(1) Mr. Yo Shin ceased to serve as an independent non-executive Director of the Company and a member of the Audit Committee with effect from December 2020.

(2) Mr. Yan Lixin has been a member of the Audit Committee since December 2020.

### Nomination Committee

Currently, the Nomination Committee consists of three members, namely one non-executive Director, Mr. Ren Peng (chairman), and two independent non-executive Directors, Mr. Jiang Yulin and Mr. Wu Yat Wai.

The main responsibilities of the Nomination Committee are as follows:

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

- (2) examining and proposing to the Board the standards and procedures for the selection of Directors and senior management;
- (3) identifying qualified candidates for Directors and senior management extensively;
- (4) reviewing and making recommendations on the candidates for Directors and senior management;
- (5) reviewing and making recommendations on the candidates for other senior management required to be appointed by the Board;
- (6) evaluating the independence of independent non-executive Directors;
- (7) making recommendations to the Board on the appointment or reappointment of Directors, and the succession plan for Directors (particularly the chairman of the Board and the general manager);
- (8) other duties as stipulated by the Articles of Association and matters authorized by the Board.

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

### **Board diversity policy**

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

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

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

### **Nomination Policy for Directors**

The Company has adopted a nomination policy for Directors. Such policy has been included in the terms of reference of the Nomination Committee. The policy sets out the objectives, selection criteria and nomination procedures for selecting or recommending appointment or re-appointment of Director candidates. During the Reporting Period, Mr. Yao Feng and Mr. Yan Lixin were nominated as independent non-executive Directors.

The nomination methods and procedures for Directors are as follows:

- (1) the Nomination Committee shall actively communicate with relevant departments of the Company, conduct research and prepare written materials on the demands of the Company for Directors;
- (2) the Nomination Committee may extensively identify and select candidates for Directors in the Company, controlling (shareholding) enterprises and talent market;
- (3) collecting information of candidates such as occupation, education qualification, detailed working experience and part-time jobs, and preparing written materials accordingly;
- (4) the Nomination Committee shall fully consider opinions of the nominees in respect of the nomination;
- (5) convening meetings of the Nomination Committee, and conducting reviews on the qualification of the initial candidates in accordance with the job requirements of Directors;
- (6) submitting suggestions and relevant materials regarding the candidates for Directors to the Board before election;
- (7) the Nomination Committee, in performing its duties, may invite people with relevant experience and experts from independent and professional consulting institutions to attend meetings or convene an expert review meeting if so required;
- (8) carrying out other follow-up work based on the decisions and feedback of the Board.

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

The Nomination Committee held one meeting during the Reporting Period to review matters in relation to the election of the new session of the Board, the board diversity policy, the qualification of Directors and independence of independent non-executive Directors.

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

Director	Number of meetings attended/ should have attended
Mr. Ren Peng (chairman)	1/1
Mr. Jiang Yulin	1/1
Mr. Wu Yat Wai	1/1

### Remuneration and Evaluation Committee

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

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

- (1) reviewing the assessment criteria for Directors and senior management, conducting assessments and making recommendations;
- (2) reviewing and examining the remuneration policies and plans of Directors and senior management based on the corporate policies and objectives formulated by the Board, the position, duties and terms of reference of the Directors and senior management and with reference to the remuneration of similar positions in the same region, in the same industry or competitors, and making recommendations to the Board on the establishment of compliant and transparent procedures;
- (3) evaluating the remuneration system of the Company, and reviewing and supervising its implementation;
- (4) making recommendations to the Board on the remuneration packages of individual executive Directors and senior management, including non-pecuniary interests, pension rights and compensation payments (including compensation payable for loss or termination of their office or appointment);
- (5) making recommendations to the Board on the remuneration of non-executive Directors;
- (6) supplementing and revising the remuneration system and structure based on the market environment and the development of the Company from time to time;

## Corporate Governance Report

- (7) considering salaries paid, time commitment and responsibilities by comparable companies, and employment conditions elsewhere in the Group;
- (8) other duties as stipulated by the Articles of Association and matters authorized by the Board.

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

The Remuneration and Evaluation Committee held one meeting during the Reporting Period to review matters in relation to the formulation of annual operation goals and annual appraisal results, remuneration policy of Directors, performance evaluation of executive Directors, and approval of terms of service contracts of executive Directors.

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

Director	Number of meetings attended/ should have attended
Mr. Jiang Yulin (chairman)	1/1
Mr. Yao Feng	1/1
Mr. Wu Shukun	1/1
Mr. Yo Shin <sup>(1)</sup>	1/1
Mr. Zeng Qingsheng <sup>(2)</sup>	0/0

(1) Mr. Yo Shin ceased to serve as an independent non-executive Director of the Company and a member of the Remuneration and Evaluation Committee with effect from December 2020.

(2) Mr. Zeng Qingsheng has been a member of the Remuneration and Evaluation Committee since December 2020.

### Risk Management Committee

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

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

- (1) supervising and providing guidance for the establishment and improvement of the risk management and internal control systems of the Company; reviewing and monitoring the policies and requirements of the Company on the compliance with laws and regulations;
- (2) reviewing plans, annual work plans and annual reports in relation to the risk management and internal control systems of the Company;

- (3) reviewing the organizational structure and allocation of duties in relation to the risk management and internal control systems of the Company;
- (4) reviewing policies and work processes in relation to the risk management and internal control systems of the Company;
- (5) reviewing the risk management strategies and action plans for major risks of the Company;
- (6) conducting research on the management of risks arising from major investing and financing activities and other major operational and managerial matters, and providing recommendations to the Board;
- (7) discussing the risk management systems with the senior management to ensure that the senior management has discharged its duty to establish and implement effective risk management systems; ensuring adequate resources, staff qualifications and experience, training for employees and relevant budget in respect of risk management;
- (8) conducting research on major emergency risk events and results of important investigations of other matters relating to risk management and internal control, as well as the responses from the management;
- (9) reviewing the corporate governance policies and practices of the Company, and making recommendations to the Board;
- (10) reviewing and monitoring the training and continuous professional development of the Directors and senior management;
- (11) formulating, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to the employees and Directors;
- (12) reviewing the Company's compliance with the Corporate Governance Code and disclosure in the corporate governance report;
- (13) other matters as authorized by the Board.

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

The Risk Management Committee held two meetings during the Reporting Period to review matters in relation to annual compliance report, annual risk assessment report, amendment to administrative measures for comprehensive risk management in order to assess the effectiveness regarding the functions of corporate risk management and internal control system as well as the internal audit of the Company.

## Corporate Governance Report

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

Director	Number of meetings attended/ should have attended
Mr. Yan Lixin <sup>(1)</sup> (chairman)	1/1
Mr. Yo Shin <sup>(2)</sup>	2/2
Mr. Ding Xueqing	2/2
Mr. Zhang Shaohua	2/2
Mr. Yao Feng <sup>(3)</sup>	0/0

(1) Mr. Yan Lixin has been an independent non-executive Director of the Company and a member of the Risk Management Committee since May 2020 and has been the chairman of the Risk Management Committee since December 2020.

(2) Mr. Yo Shin ceased to serve as an independent non-executive Director of the Company and the chairman of the Risk Management Committee with effect from December 2020.

(3) Mr. Yao Feng has been a member of the Risk Management Committee since December 2020.

## 6. RISK MANAGEMENT AND INTERNAL CONTROL

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

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

### Thorough Comprehensive Risk Management and Internal Control Systems

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

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

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

The internal control team of the Group plays an important role in monitoring the internal governance of the Company. The main duties of the internal control team include regulation and review of the financial position and internal control of the Company and audit of all the subsidiaries of the Company. The Audit Committee is mainly responsible for the supervision of internal audit of the Company, evaluation and improvement of the internal control system of the Company and risk analysis of major investment projects under operation of the Company.

### **Independent and Sound Internal Audit**

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

### **Continuous Improvement of Risk Management and Internal Control Systems**

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



During the Reporting Period, the Company formulated and issued systems that optimized risk management and internal control, including the Measures for Comprehensive Risk Management (2020 revision) (《全面風險管理辦法(2020年修訂版)》), the Management Measures on Authorization (2020 revision) (《授權管理辦法(2020年修訂)》), Management Measures on Business Asset Authorization (2020 Edition) (《業務類資產授權管理辦法(2020年版)》), the Management Measures on Marketing and Advertising (Provisional) (《業務營銷宣傳管理辦法(試行)》), Rules of Procedure of the Credit Assessment Committee (《信審委員會議事規則》), Management Measures on Reporting of Significant Events (《重大事項報告管理辦法》), Management Measures on Due Diligence (2020 revision) (《盡職調查管理辦法(2020年修訂版)》), Implementation Measures on Compliance Assessment (Provisional) (《合規考核實施辦法(試行)》), Implementation Rules for Compliance Review (《合規審核實施細則》) and Compliance Manual (《合規手冊》), to further enhance the control of Office Automatic System (“OA System”) approval process.

### Inside Information

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

With the support of the Audit Committee, the Risk Management Committee and the management report, the Board reviewed the risk management and internal control systems, including financial, operational and compliance control, for the year ended December 31, 2020, and considered that the relevant systems were effective and adequate.

## 7. CORPORATE GOVERNANCE

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

- (1) reviewing the corporate governance policies and practices of the Company, and making recommendations to the Board;
- (2) reviewing and monitoring the training and continuous professional development of the Directors and senior management;
- (3) formulating, reviewing and monitoring the code of conduct and compliance manual applicable to the employees and Directors;
- (4) reviewing the Company’s compliance with the Corporate Governance Code and disclosure in the corporate governance report.

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

### 8. JOINT COMPANY SECRETARIES

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

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

During the Reporting Period, Mr. Fu Da and Ms. So Shuk Yi Betty participated in relevant professional training of not less than 15 hours in accordance with Rule 3.29 of the Hong Kong Listing Rules.

### 9. RESPONSIBILITIES OF DIRECTORS TO THE FINANCIAL STATEMENTS

The Directors confirm that they are responsible for the preparation of the financial statements of the Company for the year ended December 31, 2020.

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

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

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

### 10. REMUNERATION OF AUDITOR

The statement made by Deloitte Touche Tohmatsu on their reporting responsibilities on the consolidated financial statements of the Company is set out in the independent auditor's report on page 199 of this report.

The approximate emoluments of the audit and non-audit services provided by the auditor to the Group during the year ended December 31, 2020 are set out below:

Type of service	Amount RMB in thousands
Audit service	3,474.3
Non-audit service	556.6
Total	4,030.9

### 11. RIGHTS OF SHAREHOLDERS

#### Procedures for Convening Extraordinary General Meetings

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

- (1) Shareholders holding an aggregate of not less than ten percent (10%) (including 10%) shares carrying voting rights at such proposed meeting may, upon signing one or more written requests with the same content and format, request the Board to convene an extraordinary general meeting or class meeting and state the subject of the meeting. Shares held by the abovementioned Shareholders shall be calculated as at the date of submitting the written request.
- (2) Upon receiving the above written request, the Board shall, in accordance with laws, administrative regulations and the Articles of Association and based on the actual circumstances, decide whether to convene a Shareholders' general meeting or not, and inform the proposer of the decision within ten (10) days upon the receipt of such request.
- (3) If the Board objects to convene the extraordinary general meeting, or fails to respond within 10 days upon the receipt of the request, a single Shareholder or Shareholders holding an aggregate of not less than 10% shares of the Company may propose to the Board of Supervisors to convene an extraordinary general meeting and such request shall be proposed to the Board of Supervisors in written form.

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

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

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

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

### Procedures for Shareholders to Make Inquiries to the Board

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

### Procedures for Submitting Proposals at Shareholders' General Meetings

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

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

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

## 12. DIVIDEND POLICY

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

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

- (1) the actual and expected financial performance of the Company;
- (2) the expected working capital requirements, capital expenditure requirements and future expansion plans of the Company;
- (3) current and future liquidity of the Company;
- (4) economic conditions and other internal or external factors that may affect the business or financial performance and conditions of the Company;
- (5) any other factors deemed appropriate by the Board.

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

### 13. INVESTOR RELATIONS

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

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

### 14. CHANGES TO THE ARTICLES OF ASSOCIATION

During the Reporting Period, the changes to the Articles of Association include: the amendment to Article 1, Article 2 and Article 3 of the Articles of Association concerning the name and registered address of the Company as approved by the extraordinary general meeting held on July 16, 2020 by the Company. For details, please refer to the circular of the Company dated June 1, 2020 and the announcement of the Company dated July 16, 2020.

The latest version of the Articles of Association has been published on the websites of the Hong Kong Stock Exchange and the Company.

The Board is pleased to present the Directors' Report and audited consolidated financial statements of the Group for the year ended December 31, 2020.

## 1. DIRECTORS AND SUPERVISORS:

For the year ended December 31, 2020 and up to the date of this report, the list of Directors and Supervisors of the Company is as follows:

### **Executive Directors:**

Mr. Ding Xueqing (Chairman of the Board)

Ms. Zhou Jianli

### **Non-executive Directors:**

Mr. Ren Peng

Ms. Ha Erman

Mr. Li Chuan

Mr. Wu Shukun

Mr. Zhang Shaohua

### **Independent non-executive Directors:**

Mr. Jiang Yulin

Mr. Yao Feng (appointed on May 15, 2020)

Mr. Yo Shin (resigned on December 10, 2020)

Mr. Zeng Qingsheng

Mr. Wu Yat Wai

Mr. Yan Lixin (appointed on May 15, 2020)

### Supervisors:

Ms. Zhou Tao (Chairman) (appointed on May 15, 2020)

Ms. Wang Meijuan (resigned on May 15, 2020)

Ms. Zhao Yue

Mr. Chen Xinji

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

## 2. BUSINESS REVIEW

### Principal Business

The Group is mainly engaged in the provision of comprehensive financial services, including finance leasing, operating leasing, factoring and advisory services, to customers in transportation & logistics, manufacturing, infrastructure, construction, health care and other industries.

### Business Review and Analysis of Key Indicators of Financial Performance

For business review and analysis of key indicators of financial performance of the Group for the year ended December 31, 2020, please refer to the sections of "Financial Summary" and "Management Discussion and Analysis" in this report.

### Environmental, Social and Governance Performance

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

While striving to achieve business growth, the Group also actively performs its environmental, social and governance responsibilities. In the environmental aspect, the Group adopts the concept of environmental protection into project development and business operation. The Group also reserves funds for the well-being of the public and the provision of high quality services for the real economy while refraining from funding highly polluting and technologically underdeveloped business. The Group supports the development of corporates in the environment and clean energy sector, and advocates paperless office, green office, energy conservation and environmental protection. In the social aspect, the Group pays great attention to business quality, service level, integrity education, prevention of corruption, protection of intellectual property rights, protection of customers' interests, support of social and public welfare and charitable activities, and optimization of employees' protection system and promotion system. The Group also supports the development of technological innovation, inclusive finance, poverty alleviation development, infrastructure construction, transformation and upgrade of manufacturing industry and other relevant businesses.

When performing its social responsibilities, the Group also complies with the Environmental, Social and Governance Reporting Guide of the Hong Kong Stock Exchange to liaise with important stakeholders such as government and regulatory authorities, investors, customers, employees and suppliers on environmental, social and governance issues of the Group by means of questionnaires and interviews. The results thereof are the basis of the environmental, social and governance report to be disclosed by the Group. For details of the environmental, social and governance information of the Group for 2020, please refer to the section headed "Environmental, Social and Governance Report" in this report.

## Compliance with Laws and Regulations

The Group has been in strict compliance with the Companies Ordinance, the Listing Rules, the SFO, the Company Law of the People's Republic of China (《中華人民共和國公司法》), the Basic Norms of Enterprise Internal Control (《企業內部控制基本規範》) and other relevant requirements of laws, regulations, rules and provisions on information disclosure, corporate governance and standard industry operation.

To the knowledge of the Directors of the Company, the Group had no violation of relevant laws and regulations which have significant impact on the Group in the year ended December 31, 2020.

## Major Risks and Risk Management

For major risks and risk management of the Group for the year ended December 31, 2020, please refer to the section headed "Management Discussion and Analysis — Risk Management" in this report.

## Future Developments of the Group

For future developments of the Group after the year ended December 31, 2020, please refer to the sections headed "Chairman's Statement", "General Manager's Statement", "Management Discussion and Analysis" in this report. The above sections form part of the Directors' Report.

## Subsequent Events

### Share transfer by Shareholders

Haitong Capital Co., Ltd. ("Haitong Capital") and Haitong Innovation Securities Investment Co., Ltd. ("Haitong Innovation") entered into a share transfer agreement on February 26, 2021, pursuant to which Haitong Capital will transfer all of its shares in the Company (2,440,846,824 domestic shares) to Haitong Innovation. On March 18, 2021, Haitong Capital and Haitong Innovation conducted the share transfer procedures for the share transfer through China Securities Depository and Clearing Corporation Limited. As Haitong Capital and Haitong Innovation are wholly-owned subsidiaries of Haitong Securities, the shareholding transfer will not affect the aggregate indirect shareholding of Haitong Securities in the Company. For details, please refer to the announcements of the Company dated February 26, 2021 and March 18, 2021.

### Disposal of properties

On March 30, 2021, the Company entered into a purchase and sale framework agreement with Haitong Securities, pursuant to which the Company agreed to sell and Haitong Securities agreed to purchase a property from the Company at a total consideration of RMB1,435 million. For details, please refer to the announcement of the Company dated March 30, 2021.



### 3. SHARE CAPITAL

Details of the share capital of the Company are set out in note 35 to the consolidated financial statements.

#### Public Float

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

- (1) the Minimum Public Float shall be 15% of the total issued share capital of the Company;
- (2) the quantity and scale of the issued securities and the extent of their distribution shall enable the market to operate properly with a lower percentage of public float;
- (3) the Company shall confirm sufficiency of public float in the Company's successive annual reports after the Listing;
- (4) the Company shall implement appropriate measures and mechanisms to ensure continual maintenance of the minimum percentage of public float prescribed by the Hong Kong Stock Exchange.

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

### 4. DEBT FINANCING INSTRUMENTS ISSUED

In 2020, in order to fulfil its business development needs and further replenish operation capital and optimize the structure of assets and liabilities, the Group actively carried out direct financing and expanded its issue size, including the issue of short-term commercial papers of RMB500 million, ultra-short-term commercial papers of RMB9,000 million, medium-term notes of RMB1,500 million, private corporate bonds of RMB2,700 million and public corporate bonds of RMB3,000 million, amounting to RMB16,700 million in aggregate, the details of which are set out below:

- (1) In February 2020, the Company issued ultra-short-term commercial papers of RMB500 million with a maturity period of three months and interest rate of 2.25% per annum in the PRC.
- (2) In March 2020, the Company issued ultra-short-term commercial papers of RMB500 million with a maturity period of six months and interest rate of 2.42% per annum in the PRC.

- (3) In April 2020, the Company issued ultra-short-term commercial papers of RMB500 million with a maturity period of five months and interest rate of 1.45% per annum in the PRC.
- (4) In May 2020, the Company issued private corporate bonds of RMB1,000 million with a maturity period of three years and interest rate of 3.50% per annum in the PRC.
- (5) In May 2020, the Company issued ultra-short-term commercial papers of RMB500 million with a maturity period of six months and interest rate of 1.90% per annum in the PRC.
- (6) In June 2020, the Company issued ultra-short-term commercial papers of RMB1,000 million with a maturity period of six months and interest rate of 1.70% per annum in the PRC.
- (7) In June 2020, the Company issued private corporate bonds of RMB700 million with a maturity period of two years and interest rate of 3.95% per annum in the PRC.
- (8) In July 2020, the Company issued public corporate bonds of RMB1,200 million with a maturity period of three years and interest rate of 4.00% per annum in the PRC.
- (9) In July 2020, the Company issued ultra-short-term commercial papers of RMB1,000 million with a maturity period of six months and interest rate of 1.73% per annum in the PRC.
- (10) In August 2020, the Company issued ultra-short-term commercial papers of RMB1,000 million with a maturity period of six months and interest rate of 1.85% per annum in the PRC.
- (11) In August 2020, the Company issued ultra-short-term commercial papers of RMB1,000 million with a maturity period of three months and interest rate of 1.70% per annum in the PRC.
- (12) In August 2020, the Company issued ultra-short-term commercial papers of RMB500 million with a maturity period of five months and interest rate of 1.85% per annum in the PRC.
- (13) In August 2020, the Company issued general medium-term notes of RMB500 million with a maturity period of three years and interest rate of 4.20% per annum in the PRC.
- (14) In September 2020, the Company issued private corporate bonds of RMB1,000 million with a maturity period of two years and interest rate of 4.40% per annum in the PRC.
- (15) In September 2020, the Company issued public corporate bonds of RMB1,000 million with a maturity period of three years and interest rate of 4.20% per annum in the PRC.
- (16) In September 2020, the Company issued ultra-short-term commercial papers of RMB500 million with a maturity period of nine months and interest rate of 2.40% per annum in the PRC.

- (17) In October 2020, the Company issued public corporate bonds of RMB800 million with a maturity period of three years and interest rate of 4.15% per annum in the PRC.
- (18) In October 2020, the Company issued ultra-short-term commercial papers of RMB1,000 million with a maturity period of four months and interest rate of 1.95% per annum in the PRC.
- (19) In November 2020, the Company issued short-term commercial papers of RMB500 million with a maturity period of one year and interest rate of 4.17% per annum in the PRC.
- (20) In November 2020, the Company issued general medium-term notes of RMB1,000 million with a maturity period of two years and interest rate of 3.97% per annum in the PRC.
- (21) In December 2020, the Company issued ultra-short-term commercial papers of RMB1,000 million with a maturity period of five months and interest rate of 3.05% per annum in the PRC.

## 5. PROFIT DISTRIBUTION

### Interim Dividend

In December 2020, the Company has distributed 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 was RMB0.38 per 10 Shares (tax inclusive) with a total amount of RMB312,941,400.00 (tax inclusive).

For details of the distribution of 2020 interim dividend of the Company, please refer to the announcement of the Company dated October 27, 2020.

### Annual Dividend

The Board of Directors of the Company recommended to distribute cash dividend to all of its ordinary Shareholders for the year ended December 31, 2020. Based on the number of Shares of 8,235,300,000 Shares, the annual dividend to be distributed will be RMB0.15 per 10 Shares (tax inclusive) with a total amount of RMB123,529,500. According to the Articles of Association, the proposed annual dividend will be paid to the holders of Domestic Shares and holders of H Shares in RMB and 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 PBOC one week immediately prior to the date of the annual general meeting of 2020 to be held by the Company. The proposed distribution of annual dividend is subject to the approval of the Shareholders during the annual general meeting of 2020 to be held by the Company and is expected to be distributed no later than July 30, 2021. Once approved, the 2020 annual dividend of the Company will be paid to the Shareholders whose names appear on the share register of the Company on June 22, 2021.

For the purpose of determining the entitlement of Shareholders to receive the 2020 annual dividend, the register of members of the Company will be closed from Thursday, June 17, 2021 (inclusive) to Tuesday, June 22, 2021 (inclusive). In order to qualify for receiving the 2020 annual dividend, H Shareholders and Domestic Shareholders should ensure all transfer documents, accompanied by the relevant Share certificates, are lodged with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, and to the Company's registered office at No. 599 South Zhongshan Road, Huangpu District, Shanghai, PRC, respectively, before 4:30 p.m. on Wednesday, June 16, 2021. The 2020 annual dividend is expected to be distributed no later than July 30, 2021.

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

## Taxation

### Tax for Holders of H Shares

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

### Domestic Shareholders Investing through Shenzhen-Hong Kong Stock Connect

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

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

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

## 6. CONNECTED TRANSACTIONS

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

### Non-Exempt Continuing Connected Transactions

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

Continuing connected transactions	Connected Person(s)	Annual cap for 2020 (RMB in millions)	Actual transaction amount for the year ended December 31, 2020 (RMB in millions)
<b>1. Business Referral Framework Agreement<sup>(1)</sup></b>			
	Haitong Securities and/or its controlled companies		
Payment of service fees by the Group to Haitong Securities and/or its controlled companies		27.6	4.2
Payment of service fees by Haitong Securities and/or its controlled companies to the Group		9.8	—

Continuing connected transactions	Connected Person(s)	Annual cap for 2020 (RMB in millions)	Actual transaction amount for the year ended December 31, 2020 (RMB in millions)
<b>2. Financial Service Framework Agreement<sup>(1)</sup></b>	Haitong Securities and/or its controlled companies		
Payment of service fees by the Group to Haitong Securities and/or its controlled companies <sup>(2)</sup>		85.0	83.4
<b>3. Financial Products Investment Framework Agreement<sup>(1)</sup></b>	Haitong Securities and/or its controlled companies		
Maximum daily balance of financial products purchased by the Group from Haitong Securities and/or its controlled companies		800.0	—
Payment of income by Haitong Securities and/or its controlled companies to the Group		5.0	—
<b>4. Property Management Service Agreement and Catering Service Agreement</b>	Weitai Properties		
Payment of property management services provided by Shanghai Weitai Properties Management Co., Ltd. ("Weitai Properties") to the Group (tax inclusive)		6.0	5.5
Payment of catering operation services provided by Weitai Properties to the Group (tax inclusive)		12.0	8.6

(1) For details of the connected transactions, please see section headed "Connected Transactions" in the Prospectus. As those non-exempted continuing connected transactions will be conducted on a continuing basis over a period of time, the Directors consider that strict compliance with the announcement and independent Shareholders' approval requirements under the Listing Rules would be impractical and unduly burdensome and would impose unnecessary administrative costs upon the Company. Accordingly, the Company has applied for, and the Stock Exchanged has granted, a waiver from strict compliance with the announcement and (as the case may be) independent Shareholders' approval requirements for the abovementioned non-exempt continuing connected transaction.

(2) Service fee for part of the assets management plans issued by the Group and managed by Haitong Securities and/or its controlled companies were included in the interest payable to Haitong Securities. Service fees for these assets management plans are calculated in accordance with the actual interest payable by the Group.

### (1) Business Referral Framework Agreement

#### (a) Description of the Transaction

On May 16, 2019, the Company entered into a business referral framework agreement with Haitong Securities in respect of the business referral services provided by the Group, Haitong Securities and its controlled companies to each other and payment of service fees for such services. The business referral framework agreement provides that all service fees shall be (i) negotiated on arm's length basis taking into consideration the types of customers referred, categories of projects, the extent of the participation and contribution of the referrer and other factors; (ii) determined on normal commercial terms at a fee not less favorable than that available from independent third parties for similar and comparable services; and (iii) in compliance with, amongst others, the Listing Rules and applicable laws.

The business referral framework agreement was effective from June 3, 2019 and will expire on December 31, 2021 and is renewable upon mutual agreement, subject to compliance with the then applicable provisions of the Listing Rules.

#### (b) Purposes of the Transaction

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

#### (c) Listing Rules Implications

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

As the highest applicable percentage ratio of the transactions contemplated under the business referral framework agreement under Chapter 14A of the Listing Rules for the two years ended December 31, 2020 and 2021, on an annual basis, was higher than 0.1%, but lower than 5%, such continuing connected transactions shall be subject to the annual review, reporting and announcement requirements under Chapter 14A of the Listing Rules but exempt from independent Shareholders' approval requirement.

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

## (2) Financial Service Framework Agreement

### *(a) Description of the Transactions*

On May 16, 2019, the Company entered into a financial service framework agreement with Haitong Securities, pursuant to which Haitong Securities and its controlled companies shall provide financial services, including underwriting, sponsoring and asset management services, to the Group, and the Company shall pay the underwriting, sponsoring and/or management fees to Haitong Securities and its controlled companies. The financial service framework agreement provides that all such services and fees shall be (i) in the ordinary and usual course of businesses of the Group and Haitong Securities and its controlled companies; (ii) determined on an arm's length basis; (iii) entered into on normal commercial terms and terms with service fees that are no less favorable to the Group than those available from independent third parties for similar services; and (iv) in compliance with, amongst others, the Listing Rules and applicable laws.

The financial service framework agreement was effective from June 3, 2019 and will expire on December 31, 2021 and is renewable upon mutual agreement, subject to compliance with the then applicable provisions of the Listing Rules.

### *(b) Purposes of the Transaction*

Haitong Securities and its controlled companies provide underwriting and/or asset management services in respect of the asset management plans, debt securities, ABS schemes and income certificates issued by the Group on normal commercial terms in the ordinary and usual course of their business.

### *(c) Listing Rules Implications*

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

As the highest applicable percentage ratio of the transactions contemplated under the financial service framework agreement under Chapter 14A of the Listing Rules for the two years ended December 31, 2020 and 2021, on an annual basis, was higher than 0.1%, but lower than 5%, such continuing connected transactions shall be subject to the annual review, reporting and announcement requirements under Chapter 14A of the Listing Rules but exempt from independent Shareholders' approval requirement.

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



### (3) Financial Products Investment Framework Agreement

#### *(a) Description of the Transactions*

On May 16, 2019, the Company entered into a financial products investment framework agreement with Haitong Securities, pursuant to which the Company may purchase Financial Products from Haitong Securities and its controlled companies. Taking into consideration of the fact that the commercial terms and market rates of such financial products are typically transparent, the financial products investment framework agreement provides that all the transactions and payments shall be (i) in the ordinary and usual course of businesses of the Group and Haitong Securities and its controlled companies; (ii) determined on an arm's length basis, (iii) entered into on normal commercial terms no less favorable than those offered to independent third parties by Haitong Securities or its subsidiaries for sale of similar products; and (iv) in compliance with, amongst others, the Listing Rules and applicable laws.

The financial products investment framework agreement was effective from June 3, 2019 and will expire on December 31, 2021 and is renewable upon mutual agreement, subject to the then applicable provisions of the Listing Rules.

#### *(b) Purposes of the Transaction*

To improve the efficiency of funds utilization, the Group purchases currency funds, income certificates and other financial products (the "Financial Products") from third parties, including Haitong Securities and its controlled companies, from time to time on normal commercial terms in the ordinary course of its business.

#### *(c) Listing Rules Implications*

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

As the highest applicable percentage ratio of the transactions contemplated under the financial products investment framework agreement under the Chapter 14A of the Listing Rules for the two years ended December 31, 2020 and 2021, on an annual basis, was higher than 5%, such continuing connected transactions shall be subject to the annual review, reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

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

#### (4) Property Management Service Agreement and Catering Service Agreement

On December 31, 2019, the Group entered into a property management service agreement and catering service agreement with Weitai Properties.

##### *(a) Description of the Transactions*

The Company entered into the property management service agreement and catering service agreement with Weitai Properties, pursuant to which Weitai Properties shall provide property management services and catering services to the office building of the Company for one year from January 1, 2020. Property management services shall include office building cleaning services, greening services, front desk and conference services as well as security services. The annual fee and annual cap shall be RMB5.5 million (tax inclusive) and RMB6 million (tax inclusive), respectively. Catering services shall include the provision of meals for the employees of the Company, provision of catering services for conferences and business meetings of the Company as well as other catering services. The annual fee and annual cap shall be RMB10.16 million (tax inclusive) and RMB12 million (tax inclusive), respectively.

##### *(b) Purpose of the Transactions*

The procurement of property management and catering operation services from Weitai Properties will ensure smooth and efficient daily operations of the office building by providing our employees with safe and quality office and dining environment to improve employees' satisfaction.

##### *(c) Listing Rules Implications*

Weitai Properties is a wholly-owned subsidiary of Haitong Securities, the ultimate Controlling Shareholder of the Company. Therefore, Weitai Properties is a connected person of the Company and the transactions contemplated under the property management service agreement and the catering service agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio for the transactions contemplated under each of the property management service agreement and the catering service agreement under Rule 14.07 of the Listing Rules is higher than 0.1% but less than 5%, the transactions are subject to reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules, but exempt from circular (including independent financial advice) and independent Shareholders' approval requirements.

For details of the transaction, please refer to the announcement of the Company dated December 31, 2019.

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

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

- (1) The Company has adopted and implemented a comprehensive management system on connected transactions. Under such system, the Shareholders' general meetings, the Board meetings and the General Manager are responsible for supervision, management and approval of the Company's connected transactions in accordance with relevant requirement of the Hong Kong Listing Rules and the Articles of Association. In addition, the relevant functional and business departments of the Company are jointly responsible for the daily management of the connected transactions;
- (2) The independent non-executive Directors will review the framework agreements for non-exempt continuing connected transactions to ensure that the agreements have been entered into on normal commercial terms that are fair and reasonable and carried out in accordance with the terms of such agreements. The auditor of the Company will also review annually the pricing policies and annual caps of such agreements;
- (3) In determining the provision of services or financial products to the Company, Haitong Securities and/or its controlled companies will provide fee quotes to the Company in advance. As mentioned above, in order to ensure that the pricing policies under relevant framework agreements for the continuing connected transactions are fair and reasonable, the relevant functional departments of the Company shall review the prices proposed by Haitong Securities and/or its controlled companies through the following review procedures:
  - if market prices are available, the proposed price will be compared with market prices to ensure that the proposed price is equivalent to or no less favorable to the Company than prices offered by independent third parties providing similar services or financial products. The Company will make enquiries to various independent third party service providers for their prices for further internal assessments;
  - if no market price is available, various factors will be considered in determining whether the price is fair and reasonable, such as regulatory requirements, actual needs of the Company, the nature of service/financial products, and the financial position and creditworthiness of the service/financial products provider; and
  - the proposed price will be reviewed to ensure it is consistent with the pricing terms under the relevant framework agreements for the non-exempt continuing connected transactions, and that the terms offered by Haitong Securities and/or its controlled companies to the Company are no less favorable to the Company than those offered to independent third parties.

- (4) In determining the actual fee for the referral services provided by the Company to Haitong Securities and/or its controlled companies, the Company will consider factors such as the nature and the costs of services rendered, our profit margin and the referral fees we charge independent third parties for similar services to determine whether the relevant pricing policies are fair and reasonable. In addition, as mentioned above, in order to ensure the fairness and reasonableness of the pricing policies under the relevant framework agreements for the continuing connected transactions, relevant business and functional departments of the Company will follow the corresponding review procedures to evaluate the price to ensure that it is consistent with the pricing policies under the relevant agreements for the continuing connected transactions, and that the terms offered by the Company to Haitong Securities and/or its controlled companies are no less favorable to the Company than those offered to independent third parties; and
- (5) In determining the term of consideration of property management service agreement and catering service agreement, the Company has made reference to a number of factors, including the comparable market prices and government guidance prices (if applicable), to ensure that the price is fair and reasonable and on normal commercial terms. In the event that the total amount of costs is expected to exceed the agreed amount of consideration, Weitai Properties will provide a cost list and the Company will compare such costs with the market prices of the same type of services to determine the reasonable costs for the services.

### Confirmation of Independent Non-executive Directors

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

- (1) entered into during the ordinary and usual course of business of the Company;
- (2) on normal commercial terms or better terms; and
- (3) conducted on terms under relevant agreements which are fair and reasonable and are in the interest of the Shareholders as a whole.

### Confirmation of Auditor

Pursuant to Rule 14A.56 of the Listing Rules, the Board has received a confirmation from the auditor, nothing has come to their attention that causes them to believe that the continuing connected transactions:

- (1) have not been approved by the Board of Directors;
- (2) were not, in all material respects, according to the pricing policy of the Group;
- (3) were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and;
- (4) have exceeded the annual caps for the year ended December 31, 2020.

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

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

## 7. EMPLOYEES, CUSTOMERS AND SUPPLIERS

### Major Customers

For the year ended December 31, 2020, revenues from the five largest customers of the Group accounted for 4.54% (2019: 5.46%) of the total revenue of the Group, while revenue from the single largest customer of the Group accounted for 2.14% (2019: 2.37%) of the total revenue of the Group.

During the Reporting Period, neither the Directors, their associates, nor Shareholders (which to the best knowledge of the Directors, holding more than 5% of the Company's issued share capital) had any interest in the five largest customers of the Group.

### Major Suppliers

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

### Customer Relationship

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

### Employee Relationship

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

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

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

As at December 31, 2020, to the knowledge of the Directors, the following persons (excluding Directors, Supervisors and chief executive of the Company) had interests and/or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name	Class of Shares	Identity/Nature of interest	Total number of Shares held	Percentage of total issued Shares of the Company	Percentage of total issued Shares of the same class of the Company	Long position/ Short position
Haitong Securities	H Shares	Interests of controlled corporation <sup>(1)</sup>	4,559,153,176	55.36%	78.68%	Long
	Domestic Shares	Interests of controlled corporation <sup>(1)</sup>	2,440,846,824	29.64%	100%	Long
Haitong International Holdings Limited	H Shares	Interests of controlled corporation <sup>(2)</sup>	4,559,153,176	55.36%	78.68%	Long
Haitong UT Capital	H Shares	Beneficial owner <sup>(1)(2)</sup>	4,559,153,176	55.36%	78.68%	Long
Haitong Capital Co., Ltd.	Domestic Shares	Beneficial owner <sup>(1)</sup>	2,440,846,824	29.64%	100%	Long

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

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

Save as disclosed above, as at December 31, 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.

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

As at December 31, 2020, none of the Directors, Supervisors or the chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Directors, Supervisors, chief executives or their respective associates are deemed to have under such provisions of the SFO), or which were required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

### 10. DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

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

### 11. DIRECTORS' INTERESTS IN COMPETING BUSINESS

Save as disclosed in this report, as at December 31, 2020, none of the Directors or their respective associates had interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

### 12. SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

Each of the Directors and Supervisors of the Company entered into a service contract with the Company on May 15, 2020.

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

### 13. REMUNERATION OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE

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

Details of remuneration of Directors, Supervisors and chief executive of the Group for the year ended December 31, 2020 are set forth in notes 44 and 45 to the consolidated financial statements of the Group.

## 14. INDEMNITIES OF DIRECTORS AND SUPERVISORS

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

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

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

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

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

## 16. PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

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

## 17. PRE-EMPTIVE RIGHTS

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



### 18. SHARE OPTION ARRANGEMENTS

As at December 31, 2020, the Company did not have any share option incentive plan.

### 19. ADMINISTRATION CONTRACTS

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

### 20. DISTRIBUTABLE RESERVES

As at December 31, 2020, the distributable reserves of the Company amounted to RMB2,595,573,399.57 (as at December 31, 2019: RMB2,423,230,020.12).

### 21. PROPERTY AND EQUIPMENT

Details of changes in property and equipment of the Company and the Group as at December 31, 2020 are set forth in note 16 to the consolidated financial statements.

### 22. RETIREMENT AND BENEFITS

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

### 23. DONATIONS

For the year ended December 31, 2020, the total charitable donations and other donations of the Group amounted to RMB3,042,700.00 (2019: RMB50,000.00).

### 24. LOAN AGREEMENTS

During the Reporting Period, the Company entered into loan agreements with specific banks, of which loans with a total amount of approximately RMB1,748.84 million include terms requiring that the Company shall ensure that Haitong Securities maintains actual control over the Company. The terms of such loan agreements range from one to three years.

## 25. REVIEW OF ANNUAL RESULTS

The accounting principles and practices adopted by the Group and the audited consolidated financial statements for the year ended December 31, 2020 have been jointly reviewed by the Audit Committee together with the management and the external auditor of the Company.

Deloitte Touche Tohmatsu was appointed as the auditor of the Company for the year ended December 31, 2020. Deloitte Touche Tohmatsu has audited the annexed financial statements prepared in accordance with the IFRS.

By order of the Board of Directors

**Ding Xueqing**

*Chairman*

Shanghai, the PRC, March 30, 2021

# Report of the Board of Supervisors

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

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

- (1) to examine the Company's financial position;
- (2) to supervise the conducts of the Directors, general manager and other members of senior management of the Company in violation of the laws, administrative regulations or the Articles of Association during the performance of their duties;
- (3) to demand any Director, general manager and other senior management of the Company to rectify behavior which is harmful to the interests of the Company;
- (4) to verify the financial information such as the financial reports, business reports and plans for distribution of profits to be submitted by the Board to the Shareholders' general meetings and, should any queries arise, to engage, in the name of the Company, certified accountants and auditors for a review on the aforesaid information;
- (5) to propose to convene an extraordinary general meeting;
- (6) to represent the Company in negotiating with Directors or institute proceedings against Directors;
- (7) to exercise other duties and powers specified in laws, administrative regulations, normative documents and the Articles of Association.

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

## 1. MEETINGS OF THE BOARD OF SUPERVISORS

During the Report Period, the Board of Supervisors held 3 meetings in total. 10 resolutions regarding the working report of the Board of Supervisors, election of new session of the Board of Supervisors, election of the chairman of the Board of Supervisors, re-appointment of accounting firm, financial report, risk evaluation report, compliance report, annual and interim performance reports and distribution plan of interim profit were considered and passed at the meetings.

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

Supervisor	Number of meetings attended/ Should have attended
Ms. Wang Meijuan <sup>(1)</sup>	1/1
Ms. Zhou Tao <sup>(2)</sup>	2/2
Ms. Zhao Yue	3/3
Mr. Chen Xinji	3/3

(1) Since May 2020, Ms. Wang Meijuan ceased to be the chairman of the Board of Supervisors and a Supervisor of the Company.

(2) Since May 2020, Ms. Zhou Tao has been acting as the chairman of the Board of Supervisors and a Shareholder representative Supervisor of the Company.

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

During the Reporting Period, the Company held 3 Shareholders' general meetings and 12 meetings of the Board. The Board of Supervisors attended the relevant meetings and effectively supervised the legality and compliance of material decision making process including the amendment to the Articles of Association, change of name and registered address of the Company, operation assessment, financial budgets and final accounts, election of Directors, selection and engagement of senior management, major projects, asset transactions, general mandate for provision of guarantee and general mandate for issuance of new shares of the Company, and proposed constructive and specific suggestions and supervisory opinion.

## 3. SUPERVISION OF FINANCIAL POSITION

The Board of Supervisors regularly obtained financial information of the Company and received work reports and presentation of work planning by the officer in charge of finance, the Planning Finance Department and the Treasury Management Department, including major financial indicators, assets liability, profit and loss, fees, capital management, execution of budgets and final accounts. The Board of Supervisors proposed that the Company shall continue to strengthen its financial management and financial resources control and further enhance the financial management of subsidiaries and SPV companies within and outside the PRC. The Company shall also improve initiative in liquidity risk management and enhance forward-looking management of capital reserve to prevent liquidity risk.

### 4. SUPERVISION OF OPERATION AND MANAGEMENT OF THE COMPANY

The Board of Supervisors attended meetings of the Board and Shareholders' general meetings to regularly receive report of operation management on the general operation of the Company, including assets scale, income and profit, business development, development positioning, assets quality, progress of annual operation plans and future work highlights, to understand the operating position of the Company promptly and comprehensively. The Board of Supervisors suggested that the Company shall focus on its principal leasing business, serve the real economy, enhance the research and analysis of the macro economic situation and industry development, adopt effective measures to cope with the challenges posed by COVID-19 and promote the stable implementation of various operating strategies of the Company in order to safeguard the long-term sustainable development of the Company.

### 5. SUPERVISION OF INTERNAL COMPLIANCE

The Board of Supervisors debriefed to the compliance report, the operational report of compliance management and the special report from the officer in charge of compliance to deeply understand:

- (1) compliance management of the Company regarding business development, risk management, financial management, capital management, assets management and anti-money laundering;
- (2) establishment of compliance culture;
- (3) formulation, amendment and execution of compliance management system;
- (4) significant policy changes in industry in which the Group operates;
- (5) compliance accountability;
- (6) duty performance of the person in charge of compliance and compliance management personnel;
- (7) establishment of and protection for compliance management team;
- (8) planning of compliance management work;
- (9) report on compliance information with industry regulation.

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

### 6. CONTINUOUS ENHANCEMENT OF RISK MANAGEMENT SUPERVISION

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

- (1) general risk assessment of the industry;
- (2) operation of comprehensive risk management and risk control indicators;
- (3) identification and management of various risks;
- (4) risk management structure and culture establishment;
- (5) soundness of the risk management system;
- (6) monitoring and control, report and contingency mechanism of risk;
- (7) establishment of risk management data and information system and quantification of risk;
- (8) risk management of new business;
- (9) pilot operation of consolidated risk management;
- (10) risk handling;
- (11) future risk management planning.

The Board of Supervisors proposed that the Company shall duly analyze the operating risk and challenges arising from the outbreak of COVID-19 and optimize the risk management and control measures, including paying attention to the risk management of new business projects, aircraft leasing projects, automobile financial leasing projects and factoring projects, implementing effective management and control over different businesses, enhancing forward-looking management of risk analysis and prevention, improving risk handling and strengthening the risk defense lines in order to ensure the asset security and stable development of the Company.

### 7. STRENGTHENED DUTY PERFORMANCE GUARANTEE OF THE BOARD OF SUPERVISORS

In order to further improve the supervision of various operating aspects of the Company, the Board of Supervisors continued to strengthen its duty performance guarantee by developing effective coordination system, formulating detailed lists of tasks and facilitating the communications among the Board of Supervisors and management members and other departments of the Company in order to support the effective duty performance of the Board of Supervisors. With the system establishment, formulation of task list and communications among departments regarding the duty performance of the Board of Supervisors in response to the governance requirement of the Company, the supervisory and management role of the Board of Supervisors has been strengthened and the regulation and feasibility of its duty performance has been effectively enhanced, supporting the independent supervision of the Board of Supervisors.

### 8. MAJOR WORKING PLANS OF THE BOARD OF SUPERVISORS

#### **Fully Engaging in and Improving Corporate Management**

According to the development needs of the Company, the Board of Supervisors shall hold meetings in a timely manner as required and attend Shareholders' general meetings and meetings of the Board to effectively perform its supervisory duty, improve the corporate management and promote reasonable decision making for the Company so as to defend the legal rights of the Company, Shareholders, employees, the society and other stakeholders.

#### **Performing Supervisory Role and Enhancing Management of the Company**

The Board of Supervisors will enhance the understanding and supervision of major corporate affairs, significant investments, compliance management, internal control, risk management, financial management, connected transactions, information disclosure, legal training, business research and other aspects of the Company to facilitate more refined and comprehensive duty performance of the Board of Supervisors. It will supervise the duty performance of Directors and the senior management and the implementation of resolutions of the Shareholders' general meetings and meetings of the Board in order to promote management enhancement, compliance operation and sound development of the Company.

### **Refining the Working Mechanism of the Board of Supervisors**

The Board of Supervisors will further improve its organization, actively participate the training sessions and seminars organized by the Company, external professional institutions or other organizations, specify its governance duty and supervisory focus and further enrich the theoretical knowledge and practical experience of the Supervisors. The Board of Supervisors will obtain business updates of the Company through various channels regularly and strengthen the communications with the Board and operation management as well as the information sharing among the Supervisors. It will also participate the meetings of the party committee and various other presentation meetings to promptly receive different presentations and reports and enhance the communications with persons in charge of the compliance, risk, financial and other departments to facilitate the daily supervision of key areas. The Board of Supervisors will keep abreast of the macro situation, pandemic effects, development trend of the leasing industry as well as the major business and significant investment of the Company from time to time in order to lay a foundation for the effective performance of its supervisory duty.

**The Board of Supervisors of Haitong Unitrust  
International Financial Leasing Co., Ltd.**

March 30, 2021



# Environmental, Social and Governance Report

## ABOUT THE REPORT

This is the second Environmental, Social and Governance (“ESG”) Report (the “ESG Report”) issued by Haitong Unitrust International Financial Leasing Co., Ltd., aiming to disclose the Company’s economic, social and environmental initiatives and accomplishments to the stakeholders.

## REPORTING STANDARDS

The Report is prepared based on the requirements of Environmental, Social and Governance Reporting Guide (2015) set out in Appendix 27 of the Listing Rules issued by the Hong Kong Stock Exchange and the Environmental, Social and Governance Reporting Guide Consultation Summary (2019) issued by the Hong Kong Stock Exchange.

## REPORTING SCOPE

Organizational scope: The ESG Report covers Haitong Unitrust International Financial Leasing Co., Ltd. and its subsidiaries within the scope of annual reports and consolidated financial statements.

Reporting period: from January 1, 2020 to December 31, 2020.

Issuing cycle: The ESG Report is issued annually.

## DATA DESCRIPTION

The data and cases in the ESG Report are derived from the original records or financial reports on the actual operation of the Company. The financial figures are presented in RMB. In case of any inconsistency between the ESG Report and the financial reports, the financial reports shall prevail. Based on the search results in environmental databases of EPMAP, during the Reporting Period, there are no negative records related to the Company and its subsidiaries covered in the ESG Report.

## REPORTING PRINCIPLES

The ESG Report discloses information in accordance with the reporting principles in the ESG Reporting Guide of the Hong Kong Stock Exchange including:

- Materiality

Based on the principle of materiality, the ESG Report determines the major issues to be responded herein via stakeholders investigation and materiality analysis and provides key disclosures of environmental, social and governance matters with potential significant impacts on the investors and other stakeholders.

- Quantitative

Based on the principle of quantitative, the ESG Report discloses the quantitative key performance indicators (“KPIs”), gives the description of such KPIs, and provides the calculation basis and assumptions.

- Balance

Based on the principle of balance, the ESG Report reflects the objective facts and discloses indicators involving both positive information and negative information.

- Consistency

Based on the principle of consistency, the ESG Report gives the description of the ESG quantitative KPIs, provides the calculation basis and assumptions, and maximizes the consistency of indicators used for different reporting periods to reflect the tendency of performance level.

## ESG MANAGEMENT STATEMENT OF THE BOARD

### ESG VISION AND STRATEGIES

The objectives of the ESG efforts of the Company are to satisfy our Shareholders, gain trust in our customers, make our employees proud, be friendly to the environment, and gain social recognition. With due consideration of our business and demand of various stakeholders, the Company proposed our ESG management strategy covering responsibilities towards Shareholders, customers, employees, environment and society. Through proactive measures on these five major aspects, we aim to achieve all our ESG objectives.

- Shareholder Responsibilities

We further improve operation management and governance of the Company to create long term and stable economic return for our Shareholders. We seek to prevent financial risk and strengthen our compliance management to facilitate sustainable and stable operation.

- Customer Responsibilities

We strengthen our support to the real economy, the development of fundamental infrastructure and small and micro enterprises. We value the importance of our customers centric and place importance on information security and protection of customer privacy. We improve customer experience with fin-tech to maintain high customer satisfaction.

- Employee Responsibilities

To establish harmonic relationship with our employees, we respect and protect the legal rights of our employees and safeguard their health and safety. We provide various training and career development opportunities to facilitate career development of our employees.

- Environmental Responsibilities

We advocate green office and recycling to support new energy industry and the development of energy saving enterprises, taking action in response to climate change. We promote water reservation and waste management to reduce environment impact caused by our operation.

- Social Responsibilities

We provide social services focusing on healthcare and education. We proactively respond to public health incident and organized welfare activities such as poverty alleviation and helping disadvantaged community. We also organize employee voluntary activities to establish closed relationship with our society.

To ensure the effectiveness of our ESG strategy, the Board reviews the results of major ESG topics of the Company annually to make sure our ESG strategy covers all major topics. The following principles will be applied when determining the importance of ESG topic:

- to include opinion of key stakeholders and identify ESG topics that concern key stakeholders;
- to include opinion of senior management of the Company and identify ESG topics that have significant impact on the business of the Company;
- the Board to review important ESG topics that relevant stakeholders highly concern and have significant impact on the business of the Company.

In 2020, as regulatory document of the financial leasing industry became effective, the trend of the industry entering the era of strict regulation is very obvious. Accordingly, the Company will continue to closely monitor the matters in respect of “risk management”, “operation compliance” and “serving the real economy”. Furthermore, the Chinese government intended to strive for carbon neutrality by 2060 and the Ministry of Ecology and Environment of PRC announced to facilitate the establishment of carbon emission right trading market during the fourteenth five-year plan period. The Company will closely monitor external conditions and pay attention to topics relating to “climate change response” and “green development promotion”.

### ESG GOVERNANCE STRUCTURE

To ensure the effective implementation of ESG strategy to achieve our ESG objectives, the Company has established a top-to-bottom ESG management structure. The Board is the body responsible for ESG matters and has established an ESG affair management team to be responsible for the management and coordination of ESG works.

The Board is responsible for ESG matters of the Company, including:

- a) to assess and determine risks and opportunities related to ESG management of the Company;
- b) to ensure proper and effective ESG risk management and internal control system;
- c) to determine the Company’s ESG management principles, strategy, priority and target;
- d) to review performance of our Company regularly against the ESG targets;
- e) to review and approve the ESG report of the Company.

## Environmental, Social and Governance Report

The Company established an ESG affair management team headed by the Board office to govern the performance of ESG responsibilities of the relevant functional and operation departments. Duties of the ESG affair management team include:

- a) to supervise and review the formulation of ESG management direction and strategy;
- b) to supervise and review the formulation and implementation of ESG objectives;
- c) to supervise and examine the identification and priority of ESG topics;
- d) to coordinate the preparation of annual ESG report for review and approval by the Board before publication;
- e) to identify ESG risks related to the Company annually, evaluate the impact of such risks to the Company and give advices to the Board accordingly;
- f) to deal with other matters authorized by the Board.

### OUTLOOK

Looking forward, financial leasing industry faces new economic and financial conditions and regulatory environment. The outbreak of the novel coronavirus had also caused a certain extent of uncertainty to the general macroeconomic environment. The Company will adapt to the new economic condition by further strengthening its functions to serve the real economy and improve its operation compliance to prevent financial risks. The Company will also promote transformation and upgrade for high-quality development.

According to the Global Risk Report 2020 issued by World Economic Forum, environmental risks will be the most significant risk that affect the world in the next decade. The Company will uphold its green development vision, improve resources efficiency and capitalize on the advantage of financing to support the development of energy saving and environmental protection industry, so as to create a green and prosperous future with our stakeholders.

## 1. COMMITMENT TO SUSTAINABLE DEVELOPMENT WITH STRONGER CORPORATE RESPONSIBILITY GOVERNANCE

### 1.1 ESG PHILOSOPHY AND MANAGEMENT

The Company adheres to its role as a financial service provider of the real economy and seizes the favorable opportunities arising from the major transformation of economy of China. The Company also pursues the operating strategies of “cross-border thinking, promoting innovative development, strengthening our capacity and grasping business opportunities”, to efficiently promote the strategy of “One Body, Two Wings”, and to implement the development strategy of “One Big and One Small”. We are committed to becoming a benchmark financial leasing enterprise in China with outstanding service level and strong sustainable growth in order to create value for our Shareholders, employees, customers and the society.

The Company actively incorporates the ESG concept into various aspects of our business management, continuously and earnestly implements our responsibility concept and commitment to stakeholders, and promotes the sustainable development of the Company and stakeholders through the establishment of an ESG management structure.

In order to coordinate our ESG work and further facilitate the performance of responsibilities of respective departments, the Company has established an ESG affair management team headed by the office of the Board and taken charge by the relevant functional and business department. It is responsible for the implementation of ESG work to guarantee the continuous and effective implementation of ESG work.

#### ESG management structure of Haitong Unitrust

Decision-making support	Organization	Implementation
The Board participates in the consideration and decision-making of major ESG issues, and supervises and shoulders overall responsibility for the ESG work.	An ESG affair management team headed by the office of the Board office and taken charge by the relevant functional and business department has been established to guarantee the continuous and effective implementation of ESG work.	Duties distributed by the relevant functional and business department of the company to practically implement the ESG work.

#### Communication with stakeholders

The Company actively expands communication channels with stakeholders during different processes of regularly operating services and fully listens to the comments and responses from our stakeholders. We have also established regular mechanism for communication to continuously enhance the efficient communication with stakeholders.

## Expectations of stakeholders and responses

Key stakeholders	Issues	Communication and responses
<b>Shareholders</b>	Risk management Operation compliance Anti-corruption	General meeting of Shareholders Regular information disclosure Investor communication meetings Compliance management Comprehensive risk management system Anti-corruption system
<b>Customers</b>	Financial technology Customer services and communication Information security and customer privacy protection Serving the real economy Inclusive financing Responsible marketing	Our unified data platform Customer consultation and complaint Customer Seminar Customer privacy protection system WeChat official account and other platforms Real economy business support
<b>Employees</b>	Employees' rights and benefits Employee health and safety Employee development and training	Trade union activities Employee physical examination Online learning platform
<b>Government and regulators</b>	Operation compliance Risk management Anti-corruption Real economy service	Cooperation in regulators' inspection Comprehensive risk management system Complaints and reports Real economy business support
<b>Suppliers and partners</b>	Supply chain management Anti-corruption	Formulating purchasing management rules Bidding activities Industry cooperation and exchange
<b>Community</b>	Community services Coping with climate change Promoting green development Real economy service Inclusive financing	Charity activities Identifying and coping with the climate-related risks and opportunities Green operation Energy saving and environmental protection business support Real economy business support

## Identification and analysis of material issues

Based on the material issues analysis model and the working progress of last year, the Company further identified, assessed and selected material ESG issues with significant impacts on the Company and our stakeholders, and made key disclosure and response in the ESG report.

## Analysis process of material issues

### Identification

- We acknowledged the policy requirements of responsibility assumption and development opportunities of Haitong Unitrust by analyzing the macro policies and industry hotspots, and updated and modified the ESG issues according to the new ESG requirement of the Stock Exchange as well as the development strategy and ESG practices of the Company.

### Assessment

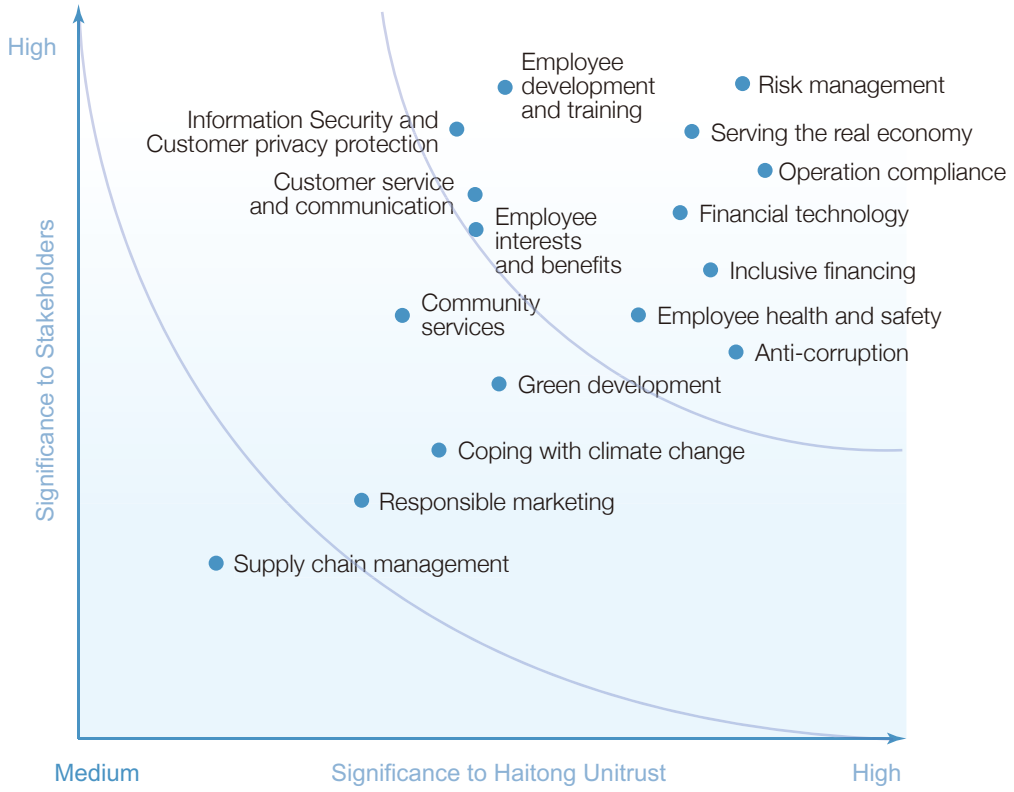
- We assessed the 16 issues from two dimensions as significance to stakeholders and significance to Haitong Unitrust based on the concerns of stakeholders, department interviews and expert judgement

### Reporting

- We built the analysis matrix of material issues based on the assessment results, sorted the issues based on their significance, and made key disclosure of issues with high materiality in the ESG report.



### Matrix of material issues



## 1.2 CORPORATE GOVERNANCE

### Governance improvement

Sound corporate governance is essential to the sustainable development of the Company. In strict accordance with the Company Law of the People's Republic of China (《中華人民共和國公司法》), the Listing Rules and other requirements, the Company has established a corporate governance structure comprising the general meeting of Shareholders, the Board, the Board of Supervisors and senior management, forming a corporate governance system with check and balance among the authority unit, decision making unit, supervisory unit and execution unit and promoting the construction of modern corporate governance system and governance capacity.

Adhering to the principle of diversity, the Board of the Company comprises members with professional experience in financial management, risk management, business expertise and other aspects to ensure the effective operation of the Company. As of the end of 2020, the Board of the Company consisted of 12 Directors, including 2 executive Directors, 5 non-executive Directors and 5 independent non-executive Directors.

In 2020, the Company held the 2019 annual general meeting and the first and second extraordinary general meetings of 2020, which considered 13 resolutions in aggregate. The Company also held 12 meetings of the Board, 6 meetings of special committees of the Board and 3 meetings of the Board of Supervisors, which considered 43, 12 and 10 resolutions, respectively. In May, 2020, the Company completed the election of new sessions of the Board and the Board of Supervisors, ensuring the consistent and stable corporate governance and operation of the Company.

### Investor relations management

In order to promote the legal and standard operation of the Company and safeguard the legal interests of the Company and investors, the Company discloses its information in a true, accurate, complete, timely and fair manner according to the regulatory documents such as the Company Law of the People's Republic of China, Securities Law of the People's Republic of China (《中華人民共和國證券法》), the Listing Rules and the Articles of Association. In 2020, the Company conducted effective information disclosure regularly and from time to time through issuing monthly return on movements in securities, overseas regulatory announcements, reports on major events, notices of the general meetings of Shareholders and periodic reports.

The Company attaches high importance to the communication with investors. The Company provides updated information and results of its operation to investors and consolidates and analyses issues under market concerns on a timely manner through publishing announcements on the Hong Kong Stock Exchange, company website, official WeChat account and social media in order to strengthen the communication among the Company and analysts, Shareholders and potential investors through information disclosure and exchange. The quality and efficiency of communication with investors has been improved effectively.



## CASE STUDY: 2019 results release teleconference

During the release period of the 2019 annual results, the Company provided data and results of its operation to (potential) investors through publishing announcements on the Hong Kong Stock Exchange, company website, official WeChat account and social media. On March 27, 2020, the Company held the 2019 results release teleconference to promote and further explain the development philosophy, advantages, achievements and strategies of the Company and respond to major concerns and issues regarding the Company's financial results, effects of the pandemic, regulatory environment and development strategies so to enhance the understanding of the Company's development.

## 1.3 RISK AND COMPLIANCE MANAGEMENT

### Strengthening of overall risk management

In 2020, with the increasingly complicated and volatile external environment, the overall risk management of the financial leasing industry was exposed to greater external challenges. Adhering to its prudent risk management concept, the Company was able to sustain its development amid the complex external environment through continuous improvement of its comprehensive risk management system and overall risk management level.

The Company formulated the Comprehensive Risk Management Rules (《全面風險管理辦法》), which specifies that the Board shall be responsible for the overall risk management and the Risk Management Committee shall perform the corresponding functions. The Company adopts a risk management structure featured by three lines of defense set at the business department, risk management department and audit department. We take “comprehensive risk management system & internal control management system” as the basis, and well-defined duties and powers, in order to guarantee the implementation of effective management of various major risks.

In 2020, in line with industrial development strategies, and in response to changes in external economic conditions and development of relevant industries, the Company adjusted the prosperity of relevant industries in a timely manner and issued the Industry Access Catalogue (《行業准入分類》). The Industry Access Catalogue further defines the industrial risk appetite of the Company to give preferential support to state-supported industries such as next-generation IT, energy saving and environmental protection, and healthcare industries, allowing the Company to meet the development goal of withdrawing from industries with outdated production technologies.

## Industry categories and examples

Category	Description	Example
Preferential support	Growing industries in alignment with the national development plan and supply-side structural reform direction. Conditional upon effective risk control, we will intensify marketing, increase supply and market share, and strive to realize a supply growth rate above the average level.	<ul style="list-style-type: none"> <li>• Next-generation IT industry (IDC Date Centre)</li> <li>• Education industry</li> <li>• High-end equipment manufacturing industry (aerospace, robot &amp; intelligent manufacturing)</li> <li>• Healthcare industry (hospitals, pharmacies and medical devices)</li> <li>• Energy saving and environmental protection industry</li> <li>• Public utilities (water, gas and heating supply)</li> </ul>
Moderate support	Based on the different characteristics of industry segments, we will moderately increase our support to leading industry players.	<ul style="list-style-type: none"> <li>• Manufacturing industry (automobile, electrical machinery and equipment)</li> <li>• Transportation and logistics industries (railway, road and storage)</li> <li>• News broadcasting</li> <li>• Modern agriculture</li> </ul>
Prudent access	Conditional upon effective risk control, we will implement prudent access to the industries.	<ul style="list-style-type: none"> <li>• Wholesale and retail industries</li> <li>• Traditional manufacturing industries (wood processing and chemical fibers)</li> <li>• Real estate industry</li> </ul>
Withdrawal	Due to high risk, we will gradually withdraw from the industries.	<ul style="list-style-type: none"> <li>• Industries with severe overcapacity (textile and mining)</li> </ul>

## Compliance management

2020 marked a crucial year for the regulation of the financial leasing industry. The Company duly analyzed and studied the regulatory policies in order to promptly implement the regulatory policies within the Company. The compliance management system of the Company is a four-level structure comprising the Board, general manager office, compliance officers and affiliates (including departments, branches and subsidiaries). The authority and duties of each level are clearly defined, ensuring orderly implementation of compliance management tasks.

The Company formulated the Administrative Measures for Reporting Major Issues (《重大事項報告管理辦法》), the Implementation Rules for Compliance Inspection (《合規檢查實施細則》) and other documents, and issued the Implementation Rules for Compliance Assessment (Provisional) (《合規考核實施辦法》(試行)), to incorporate compliance management of subsidiaries into the assessment system. The compliance assessment of subsidiaries ensures independence of subsidiaries and facilitates the optimization of compliance management of subsidiaries.

The Company has been committed to pursuing compliance operation as its core operating philosophy and has carried out promotion and training of compliance by various means. In 2020, in addition to regularly issuing the Regulation Monthly (《監管動態月報》) online, the Company organized offline training and communication activities such as interpretation of new securities laws, analysis and interpretation of regulatory policies, and basic compliance knowledge communication, in order to convey the regulatory requirements to each unit of the Company and ensure compliance operations.



### CASE STUDY: Exchange session on interpretation of regulatory policies

On July 6, 2020, the Company organized an exchange session on the Analysis and Interpretation of Regulatory Policies after Transfer of Regulatory Duties (《監管職責轉隸後監管政策分析與解讀》). Through interpreting the Interim Measures for the Supervision and Administration of Financial Leasing Companies (《融資租賃公司監督管理暫行辦法》) of the CBIRC based on the local regulatory policies of Shanghai, the exchange session analyzed and interpreted potential impacts on the internal control management and business operation of the Company, which further improved the compliance management awareness of leaders and deputy officers of each unit.



Exchange Session on the Analysis and Interpretation of Regulatory Policies after Transfer of Regulatory Duties (《監管職責轉隸後監管政策分析與解讀》)

### Anti-money laundering

The Company performs its anti-money laundering duties and responsibilities according to the applicable laws and regulations such as Anti-Money Laundering Law of the People's Republic of China (《中華人民共和國反洗錢法》) and the requirements of regulators. In 2020, the Company formulated the Administrative Measures for Due Diligence of the Aircraft Leasing Industry (Provisional) (《航空租賃業務盡職調查管理辦法》(試行)), which requires business personnel to conduct money laundering risk screening and assessment under systematic anti-money laundering procedures, and specifies the reporting procedures of high-risk customers.

In addition, the Company issues the Regulation Monthly (《監管動態月報》) to analyze and interpret laws, regulations and regulatory policies related to anti-money laundering, and illustrate punishment cases related to anti-money laundering. Through promotion of policies and reminders about punishments, employees' understanding and awareness of anti-money laundering have been improved.

During the Reporting Period, the Company reported zero violations related to money laundering.

## Anti-corruption

The Company strictly abides by the Code of Integrity and Self-discipline of the Communist Party of China (《中國共產黨廉潔自律準則》), the Regulations of the Communist Party of China on Internal Oversight (《中國共產黨黨內監督條例》) and other documents. In strict accordance with the “responsibility coordination mechanism in four aspects” for improving Party integrity, the Company continuously promotes comprehensive and strict governance of the Party through developing the accountability system, strengthening duty performance and pursuing stringent accountability principles.

The Company formulated the Administrative Measures for Discipline Inspection, Supervision and Complaint (《紀檢監察信訪工作管理辦法》), the Implementation Rules for Supervision and Enforcement of Discipline Inspection and Supervision Departments (Provisional) (《紀檢監察部門監督執紀工作實施細則》(暫行)) and other documents, which stipulate that any report on the violation of the Party discipline and the rules of the Company by cadres or any appeal against any punishment under the Party discipline and the rules of the Company may be submitted to relevant departments of the Company by letter, phone, fax, visit, email or other means. In respect of whistle-blower protection, the Company stipulates that “the name, identity, department and relevant information of whistle-blowers shall not be disclosed without their consent” in order to protect whistle-blowers who report in their real names. Stringent efforts have also been made to investigate and combat retaliation and other irregularities.

The Company focuses on promotion and training for improving Party integrity and anti-corruption efforts. In 2020, the Company prepared and issued a total of four discipline inspection and supervision newsletters in an effort to strengthen the positive promotion and case illustration as a reminder for middle-level cadres to maintain high moral and discipline standards. Typical cases were illustrated for headquarters, branches and subsidiaries, cautioning all cadres of the Company against any corruption attempt, action or thought.



Haitong Unitrust organized the cautionary education campaign, “Loyalty, Morality and Discipline — Improving Work Ethics of Employees” (《講忠誠、立品德、嚴紀律 — 提高員工職業操守》)



Haitong UniFortune held the special cautionary education, “Precise Case-based Rectification and Enhancement of Operation Compliance and Integrity — Improving Work Ethics of Employees” (《精準聚焦、以案促改、強化合規、廉潔從業 — 提高員工職業操守》)

## Supply chain management

The Company is a financial company and its suppliers are mainly companies in sectors such as IT, engineering, equipment, service and low value consumables. The Company strictly complies with the Government Procurement Law of the People’s Republic of China (《中華人民共和國政府採購法》), the Bidding Law of the People’s Republic of China (《中華人民共和國政府招標投標法》) and other laws and regulations. In 2020, the Company formulated the Measures for Management of Purchasing (Revised 2020) (《採購管理辦法 (2020年修訂版)》), which requires intensive examination of scope of business licenses, relevant business licenses, product patents, product licenses and computer software copyrights of suppliers during procurement.

The Company also pays attention to the business ethics and social responsibility of suppliers, and strictly monitors and prevents various commercial bribes of suppliers through the screening, evaluation and regular inspection of suppliers. Moreover, the Company promotes green procurement through preferential procurement of environmentally-friendly furniture with water-based paint as well as energy-saving and water-saving equipment.

During the Reporting Period, the Company reported zero violations of suppliers in terms of business ethics, environmental protection and labor codes that cause major actual or potential adverse impacts.

### **Intellectual property protection**

The Company strictly abides by the applicable domestic laws and regulations including the Trademark Law of the People's Republic of China (《中華人民共和國商標法》) and the Patent Law of the People's Republic of China (《中華人民共和國專利法》), and protects our own intellectual property while not infringing upon the intellectual property of third parties.

In 2020, the Company formulated the Administrative Measures for Web Portals (《門戶網站管理辦法》), pursuant to which, in respect of outsourced work involving web portals, "it shall be ensured that outsourcing units comply with laws and regulations related to intellectual property. Any dispute between the Company and other parties arising from copyright infringement regarding images, videos, audios, fonts or other materials provided by outsourcing units in their services shall be addressed in a timely manner and the outsourcing units shall be held accountable". As such, systematic procedures were introduced for the enhancement of intellectual property protection.

## **1.4 STRENGTHEN THE LEADERSHIP OF THE COMMUNIST PARTY**

### **Enhancement of the organization of general members of the Communist Party**

It has been the policy of the Company to operate under the leadership of the Communist Party. It is our obligation to strengthen the organization of the Party so as to provide guidance to the operation and political matters of the Company. The organization of the Party should be formalized, systemized and particularly structured to give full effect of its leadership.

In 2020, having taken into account the requirement of our operation, the Company issued the "Guidelines on the Works of the Communist Sub-committees of the Company in 2020" and "Guidelines on the Organization of the Communist Sub-committees of the Company in 2020" in accordance with the instruction of the Communist Committee. The guidelines further specified the major tasks of the building of the Party and provided guidance on the organization of the general members of the Communist Party.



At the same time, the Company issued the “Commitment on the Organization of Division of the Communist Party in 2020” and “Commitment on the Anti-corruption of the Communist Party in 2020”, under which the Company entered into two agreements through our OA system. The Company had also established a “One-post-two-role System for Department Heads” and “Appraisal of Performance of Major Department Heads under the One-post-two-role System for 2020”. The responsibilities of Department Heads are specified to facilitate the enhancement of the organization of the Communist Party and to align the interest of the Communist Party with the objectives of the Company.

### Promotion of Communist Party Development through Education and Practice

The Communist Committee of the Company promotes the development of the Company through enhancement of the organization of the Party. It organized activities to promote the political awareness of the members of the Party in respect of their responsibilities. In 2020, in accordance with the relevant instruction, the Company proposed the study of the history of the Communist Party, the history of New China, the history of Open-up Policy and the history of Socialism and organized study programs accordingly. The Company organized a Communist Party Day to promote and inherit the spirit of revolution and a seminar to share comments after the reading of “The Greatest Seventy Years of China”. The study of communist was conducted in a different way. The materials of the study were increased to improve the quality and effectiveness.



#### CASE STUDY: The study of “Four History”: sharing of reading

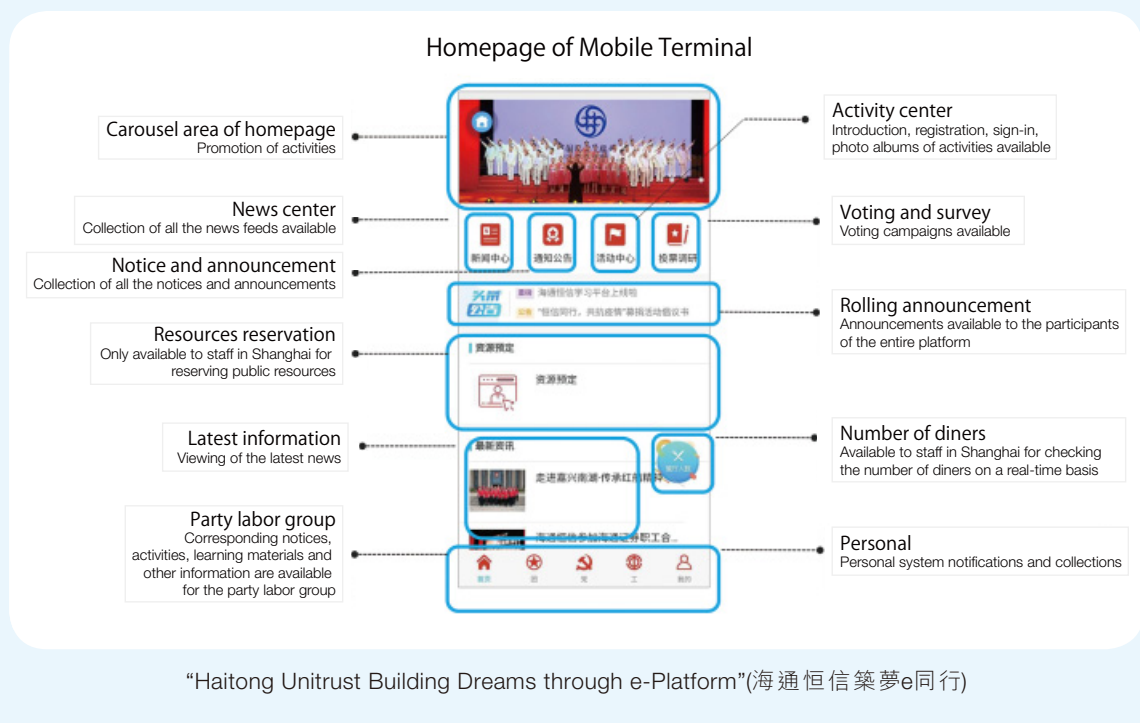
To promote the cultural development and civilization as well as the innovation of the Company, we organized a seminar to share the reading of “The Greatest Seventy Years of China” as part of the Study of “Four History”. The book is about the tremendous development of China in 70 years. Through the reading of the book, readers can understand the magnificent achievements of China during its open-up and the contribution of the Company as well as other state-owned enterprises to the market economy. The purpose of the study is to strengthen the “Four Understandings” and “Four Confidence”.

On the other hand, the Company explored and implemented an “Internet + party development” management model. In September 2020, we introduced “Haitong Unitrust Building Dreams through e-Platform” (海通恒信築夢e同行), a Communist Party Development Information Platform, to facilitate the communication among basic divisions of the Communist Party and the implementation of the ideas of the divisions.



**CASE STUDY: The establishment of “Haitong Unitrust Building Dreams through e-Platform”(海通恒信築夢e同行), a party development information platform**

“Haitong Unitrust Building Dreams through e-Platform”(海通恒信築夢e同行) provides the functions of information distribution, meeting attendance, activity enrollment, social communication, employee voting, feedback investigation, public resources booking, data collection and analysis, back office approval, by using Wechat Mini Program. News center, publication, activity center, voting and survey, resources reservation and various functions have been launched since the introduction of the platform in September. A total of 325 posts and 12,812 views were recorded.



## 2. SERVING THE REAL ECONOMY WITH HIGH-QUALITY DEVELOPMENT

### 2.1 COPING WITH THE IMPACT OF THE CORONAVIRUS PANDEMIC

At the beginning of 2020, the rapid spread of the novel coronavirus disease posed a serious threat to people’s lives. Since the outbreak of the pandemic, the Company has strictly followed the requirements on financial services imposed by the central government, the State Council and local governments. Apart from duly performing its responsibilities as a financial institution, it has also taken effective pandemic prevention and control measures. The Company was honored with the “2020 Contribution Award for Fighting Coronavirus Pandemic” (2020年度抗擊新冠肺炎疫情貢獻獎) by Shanghai Rental Trade Association for its outstanding contribution in fighting the coronavirus pandemic.

During the severe period of the pandemic, the Company adhered to the commitment of “Go Where There Is Epidemic, Fight It till It Perishes (疫情就是命令, 防控就是責任)” and established a pandemic prevention and control team of Haitong Unitrust to take all necessary measures. The Company promptly formulated the “Plan for Charging Penalty Interests, Handling Fees and Renewal Premiums during the Pandemic (疫情期間罰息、手續費、續保保費處理方案)”, the “Implementation Plan for Credit Record Protection during the Pandemic (疫情期間徵信保護實施方案)” and other specific customer support initiatives and asset management plans. These measures, such as rent extension, rent reduction, reduction of penalty interests and credit record protection, aim to help customers affected by the pandemic to alleviate their debt repayment pressure and weather through the tough times.

For the year ended December 31, 2020, the Company extended the repayment period for a total of 147 customers and waived approximately RMB2 million of handling fees and penalty interests. In addition, the Company introduced tax reduction, rent reduction and other policies for small- and micro-sized enterprises. Approximately 1,400 small- and micro-sized enterprises were involved in these policies with a reduced rent of approximately RMB18 million in aggregate.

In addition, capitalizing on its advantages, Haitong Unitrust further strengthened its financial support for pandemic prevention and control through issuing pandemic bonds and launching green approval channels.



### **CASE STUDY: Providing support for the construction of designated hospitals for the pandemic through issuing pandemic bonds**

At the beginning of 2020, in order to strengthen the financial support for regions affected by the pandemic, National Association of Financial Market Institutional Investors established a green channel for the registration and issuance of debt financing instruments. Upon the publication of the notice, the Company actively supported the initiative by filing relevant projects for approval and putting great efforts in preparing for bond issuance. Funds have been promptly invested in enterprises undertaking the construction of designated hospitals for the pandemic in Hubei.

In March 2020, the Company successfully issued the First Tranche of Asset-backed Notes in 2020 of Haitong Unitrust (Pandemic Bonds) (海通恒信2020年度第一期資產支持票據(疫情防控債)), which was the first asset-backed pandemic note project issued by a listed company in the inter-bank market, with a total issuance scale of RMB1 billion. Part of the proceeds have been allocated to enterprises in Hubei participating in the construction of Leishenshan Hospital, Huoshenshan Hospital and mobile cabin hospitals so as to ease the pressure on capital needs of the frontline enterprises for the prevention and control of the pandemic. This commitment reflected the determination and effort of the Company in support of the combat against the pandemic.



## CASE STUDY: Providing support for the frontline enterprises for the prevention and control of the pandemic through launching “Green Financing Channel Designated for the Pandemic”

At the beginning of 2020, as China started fighting against the pandemic, precautionary supplies were particularly essential. As one of the important manufactures of precautionary and emergency supplies, Shenzhen A Limited Company (“Company A”) was in urgent need of a large amount of working capital to purchase raw materials and equipment and expand its production capacity of precautionary supplies, such as liquid silicone masks.

Understanding the needs of Company A, Haitong Unitrust swiftly launched the green approval channel and provided financial support of RMB2.666 million to replenish its production capital within a short period of time in order to facilitate its production capacity expansion and ensure the continuous supply of precautionary supplies to the pandemic frontline.



Production facilities of precautionary supplies of Company A

## 2.2 SUPPORTING INFRASTRUCTURE DEVELOPMENT

Haitong Unitrust pays great attention to the support of people’s livelihood related projects and facilitates the construction of infrastructure through services such as financing lease, operating lease and factoring to improve people’s livelihood. In terms of construction of public service facilities including public transportation, urban services, environmental protection and water, the Company provided customized integrated financial solutions to satisfy the capital and equipment procurement requirement of customers and support the construction of urban public infrastructure and people’s livelihood related projects. In 2020, the Public Services Department of the Company provided financing of RMB3.476 billion for 34 projects of public service facilities.

In the field of healthcare, the Company adheres to the philosophy of mutual development and win-win cooperation of all enterprises in the healthcare industry and provides customers with comprehensive financing solutions to support the improvement of medical services. In 2020, the Company provided financing of approximately RMB1.591 billion for 135 healthcare related projects of 109 customers including public medical institutions, private medical institutions and pharmaceutical consumable supplier enterprises.



## CASE STUDY: Supporting the infrastructure construction in Guangyuan of Sichuan province

B Company Limited (“Company B”) is the largest water resources supplier in Guangyuan responsible for the water supply for a local population of 900,000. In September 2019, the Company provided financing of RMB100 million to Company B through leaseback service. The funds were used to support the urban water supply network construction and relevant upgrade and renovation projects in Guangyuan.

In view of the sound cooperation with Company B, the Company cooperated with C Company Limited (“Company C”) in Guangyuan in May 2020 again and provided a corporate loan of RMB220 million to Company C through leaseback service. The funds were used for the construction of passenger terminal, vehicle upgrade and replacement and hotel renovation in order to provide financial support to improve the people’s livelihood and social development in Guangyuan.



Water Supply Facility of Company B



Passenger Terminal of Company C



## CASE STUDY: Supporting the opening of the first large-scale medical institution in Changbai, Shenyang

D Woman’s and Children’s Hospital (“Hospital D”), established in 2009, is the first private high-end maternity hospital in Shenyang specializing in the provision of high quality medical services in the fields of obstetrics and gynecology, pediatrics, postpartum care and foreign-related general medical services.

In 2020, Hospital D planned to construct a hospital in Changbai with an investment of RMB100 million. However, it faced difficulties in raising funds for construction and other payments. In response to the funding requirement of the enterprise, the Company conducted onsite research, signed contracts and provided funds within a month and raised RMB35 million for the enterprise to support the development of the first large-scale medical institution in Changbai.

## 2.3 SUPPORTING THE DEVELOPMENT OF MICRO, SMALL AND MEDIUM ENTERPRISES

Micro, small and medium enterprises play an essential role in economic growth and social development. However, difficulty in financing and high financing costs pose a significant bottleneck in their development. In order to relieve the financing difficulty of micro, small and medium enterprises and facilitate economic transformation and enhancement, financial leases are indispensable.

Haitong Unitrust actively implements the development strategy of “One Big and One Small”, with its emphasis placed on five major aspects, namely, high-end equipment manufacturing, micro healthcare, supply chain financing, mechanical engineering, people’s livelihood and consumption. It is committed to satisfying the financing needs of micro, small and medium enterprises through a diverse range of services, including direct leasing, leaseback and factoring. In 2020, the subsidiaries of the Company which were engaged in micro and small business served over 11,800 orders for micro, small and medium enterprises with the financing amount of over RMB8 billion.



### CASE STUDY: Supporting the financing of micro and small enterprises in poverty-stricken areas

Farmers of Anlong County in southwestern part of Guizhou Province mainly grow edible fungi as their source of income. The fungus shelves used by farmers to store edible fungi have to be purchased externally. However, the long purchase cycle of these shelves not only increases the cost of edible fungi cultivation, but also materially affects the delivery of edible fungi.

To solve this problem, Haitong Unitrust supported the newly-established local micro and small enterprises by financing RMB1.02 million for the purchase of two injection molding machines in manufacturing the fungus shelves. The average monthly production volume of the machines are 100,000 fungus shelves with an average output value of RMB500,000. Through supporting this poverty-alleviation project, Haitong Unitrust helped the local farmers in overcoming the problems of purchase difficulties, high cost and long purchase cycle of fungus shelves, which effectively boosted local employment and economic development.



### CASE STUDY: **Entering into contracts with small and medium enterprises at 2020 Greater Bay Area Industrial Expo**

2020 Greater Bay Area Industrial Expo (the “Industrial Expo”) was inaugurated at Shenzhen World Exhibition featuring 1,200 quality exhibitors from the global manufacturing industry. The Industrial Expo provided different sectors with digitalized, intelligent and personalized innovative technologies and solutions. Over 100,000 professional buyers and members of the public visited the Industrial Expo.

A subsidiary of the Haitong Unitrust which was engaged in micro and small business participated in the Industrial Expo. Its diversified financing products and financial support initiatives attracted various exhibitors for further consultation and discussion. During the four-day period of the Industrial Expo, the subsidiary confirmed cooperation plans and entered into contracts with a total of nearly 30 small and medium enterprises on-site, effectively supporting their long-term development.

## 2.4 CONTRIBUTING TO POVERTY ALLEVIATION WITH FINANCIAL SERVICES

2020 is the closing year in terms of winning the battle of comprehensive poverty alleviation. As a financial enterprise with close connection with the real economy, the Company promotes inclusive finance and implements professional and featured business models to support industrial poverty alleviation and public welfare poverty alleviation, in order to take the financial services for poverty alleviation to the next level.

The Company has always followed the national policy of financial poverty alleviation actively. Capitalizing on its professional and capital advantages, the Company provides services including direct lease, leaseback and factoring to satisfy the requirement of equipment and funding of enterprises and businesses in the fields of medical, education, agriculture, energy and environmental protection in underprivileged areas. As of the end of 2020, the Company provided financing lease services for over 100 underprivileged areas and the total financing amounted to over RMB2.3 billion. In recognition of its outstanding performance in poverty alleviation, the Company was granted the “2020 Poverty Alleviation Contribution Award” by Shanghai Leasing Industry Association in 2020.





## CASE STUDY: Solving financing difficulties of enterprises in underprivileged counties

E Company Limited (“Company E”) in Inner Mongolia locates in Linxi County of Chifeng City, a national-level poverty-stricken county. It is the leading sugar manufacturer of Northern China and major local procurer of beetroot. Due to limited financial channels and simple financing structures, Company E faces development bottleneck. Since 2016, Haitong Unitrust has provided various customized financing solutions for Company E to diversify its financial channels and support its technology innovation and expansion of production capacity.

As of 2020, the Company and Company E has established 7 cooperation projects with a total financing of RMB291 million. With the support of the Company, local beetroot farmers increased from less than 2,000 in 2016 to 5,886 in 2020. Local agricultural production volume and job opportunities have increased significantly, demonstrating outstanding achievement in poverty alleviation in Linxi County.



## CASE STUDY: Supporting development of underprivileged areas through commercial vehicle leasing business

Vehicle leasing business is one of the major products of the inclusive finance of Haitong Unitrust. The Company provides customized financial services for lessors in poverty-stricken counties so that lessors may obtain vehicles for operation with a relatively low down payment, which has effectively eased their problem of liquidity shortage.

Since January 2020, Haitong UniFortune has provided commercial vehicle leasing services for customers in various poverty-stricken counties in Liangshanzhou of Sichuan province, and over 30% of the lessors are minorities. Total financing amount exceeded RMB100 million in 2020, supporting the infrastructure construction in underprivileged areas.

## 3. IMPROVING CONTINUOUSLY AND SERVING CUSTOMER NEEDS

### 3.1 ENHANCING CUSTOMER SERVICES

The Company is committed to providing its customers with high-quality, diversified and one-stop services. Based on the “Customer Management Measures (2020 Revision) (《客戶管理辦法(2020年修訂版)》)”, the Company clarifies the management departments and responsibility division of its customer services, and continuously optimizes its processes to enhance its customer services.

In 2020, the Company newly launched a call center and a new WeChat official account customer function. Through diversified channels such as 400 customer service hotline, WeChat official account online reception and telephone return visits, the Company clarifies the actual needs of its customers and effectively deal with their problems and difficulties so as to improve the customer service experience.





## CASE STUDY: Setting up call center and optimizing customer service system

In August 2020, in order to further strengthen its customer relationship management, the Company officially opened Haitong Unitrust Call Center to handle customers' daily inquiries, complaint feedback and business needs. In addition, the Company continues to promote the trainings of its customer service personnel, arranges senior customer service officers to get back of its customers to answer their questions and deal with difficulties, and strives to properly solve its customers' problems, avoiding escalation of customer complaints or repeated complaints.

Since the official opening of the call center, the call-through rate of customers has been increasing month by month, which has greatly improved the timeliness of customer response and customer satisfaction. In 2020, the total number of calls received by the call center was 113,257. Since November 2020, the call-through rate has remained at over 90%, and the average customer satisfaction rate was 99.4%.



Official Opening of Haitong Unitrust Call Center

In respect of handling customer complaints, the Company formulated the “Administrative Measures on Customer Complaint Handling (Trial) (《客戶投訴處理管理辦法(試行)》)” to specify the processes and time limits of customer complaint handling, optimize its customer complaint management and supervision mechanism, and further standardize its customer complaint management. In the course of dealing with customer complaints, the customer service staff is committed to timely response, continuous follow-up, and proper handling to effectively protect rights and interests of its customers.

In respect of product advertising and business marketing, the Company strictly complies with the “Advertising Law of the People’s Republic of China (《中華人民共和國廣告法》)” and the requirements of regulatory authorities to formulate the “Administrative Measures on Business Marketing Promotion (Trial) (《業務營銷宣傳管理辦法(試行)》)” which specifies principles, procedures and prohibitions of marketing activities, so as to ensure that its customers can understand the true and complete financial product information and the legitimate rights and interests of its customers can be protected.

During the Reporting Period, the Company reported zero violations regarding information and labeling of products and services and zero violations of marketing regulations.

### 3.2 INFORMATION SECURITY AND PROTECTION OF CUSTOMER PRIVACY

The Company has been in strict compliance with the “Cybersecurity Law of the People’s Republic of China” (《中華人民共和國網絡安全法》) and “Baseline for Classified Protection of cybersecurity” (《信息系統安全等級保護基本要求》). We have established a cybersecurity leading group and issued “Cybersecurity Handbook for Staff” (《員工信息安全規範手冊》) and “Guidelines on User Authority of Information System” (《信息系統用戶權限操作指引》). We have in place a cybersecurity management system to specify management strategy of cybersecurity. Furthermore, the Company has implemented various measures to comprehensively protect the security of its network, servers, data and security management.

Haitong Unitrust places importance on the protection of privacy and personal data of our customers. The Company has established and strictly implemented a provisional security management system which specify the classification, responsibility and punishment of security protection so as to further improve our security management system. We enter into job-related security protection agreements with our employees to enhance their awareness of security protection and the protection of customer’s information and privacy.

During the Reporting Period, the Company was not aware of any leakage of customer information or privacy.

### 3.3 PROMOTING BUSINESS DIGITALIZATION

Adhering to “finance empowered by technology”, Haitong Unitrust has actively explored the construction and application of financial technologies such as mobile connection, artificial intelligence and big data, promoted its digitalization strategy, and is committed to improving the efficiency of its financial services to provide its customers with more convenient, professional and intelligent services.

#### Achievements of digitalization of Haitong Unitrust

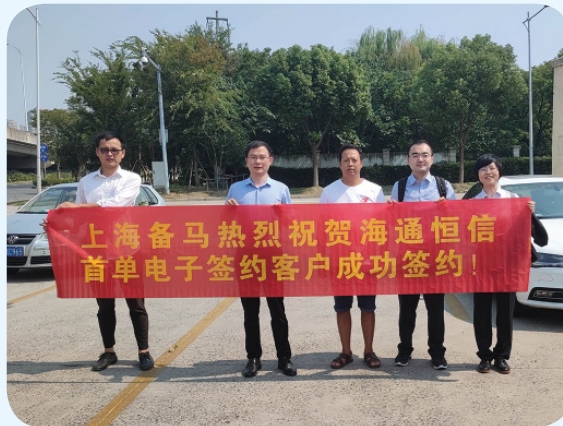
Technologies	Achievements
Mobile connection	Realization of online functions such as self-service inquiry, business processing, customer service and news feed on the platforms of Haitong Unitrust Official Account and Haitong UniFortune Official Account; online electronic deals of vehicle leasing business and small and micro leasing business to improve the timeliness of business processing.
Artificial intelligence	AI voice asset management research and development project was launched to improve the overall collection efficiency through AI technology.
Big data	Haitong Unitrust independently developed an unified data platform to realize the centralized collection, storage, processing, analysis and application of data of its various business lines.



## CASE STUDY: Establishing an electronic deal service platform to open the era of electronic deals of vehicle financing leases

In order to further improve the efficiency of its financial services and cope with challenges posed by the epidemic, the Company has cooperated with eSign.cn, a domestic authoritative electronic deal service platform, to establish a comprehensive vehicle financial leasing electronic deal service platform. The platform mainly relies on blockchain technology to authenticate the true identity of its customers, and uses public key passwords, time stamps and third-party certificates as reliable electronic signatures to complete a one-stop online deal experience.

In September 2020, the vehicle financial leasing business of the Company completed its first electronic deal, marking that Haitong Unitrust has officially opened a new era of intelligent vehicle financial leasing business. By taking advantage of technological and intelligent platforms, the efficiency and quality of its services have been significantly enhanced, and the customer service experience has been improved.



First Electronic Deal of Haitong Unitrust



## CASE STUDY: Providing 24-hour self-service on digitized platform

In 2020, the Company's vehicle leasing business launched an official WeChat account named "Haitong Unitrust Connect (海通恒信直通車)" to support customers' online inquiries, business processing, WeChat authorization, electronic deals and other services, and provide its customers with a 24-hour self-service platform. Customer service efficiency has been significantly improved.

As at December 31, 2020, the "Haitong Unitrust Connect" official WeChat account has accumulated 67,441 followers, and the number of self-services provided for the whole year of 2020 reached 1.09 million.

### 4. JOINT HANDS WITH OUR STAFF TO CREATE AN ENERGETIC WORKPLACE

#### 4.1 PROTECTION OF EMPLOYEES' RIGHTS

##### Recruitment and employment

The Company is committed to building up a professional workforce by employing excellent talents. Strictly in accordance with the “Labor Law of the People’s Republic of China” (《中華人民共和國勞動法》) and “Labor Contract Law of the People’s Republic of China” (《中華人民共和國勞動合同法》), the Company has a fair, equal and open recruitment policy to orderly conduct the recruitment exercise for the building up of a diversified pool of talents. The Company has established its reputation as an employer through recruitment on job seeking websites, WeChat public account and campus recruitment.

The Company has issued the “Regulation on Labor Contract Management” (《勞動合同管理規定》) and “Regulation on the Management of Compensation at Headquarters” (《總部薪酬管理辦法》) which emphasize the importance of equality and diversity. The legal rights of the employees are highly respected and no discrimination of gender, nationality and race is allowed. We provide equal job opportunity to male and female employees and maintain the diversity of our workforce. The recruitment, dismissal and compensation of employees are highly regulated. The Company strictly verify the identity of new employees to prevent the employment of minor workers. During the Reporting Period, the Company was not aware of any employment of minor workers and forced labor.

The Company further improved the welfare of its employees. Contributions to social security fund and housing fund were fully paid as scheduled. Our employees are also provided the welfare of corporate annuity and holidays. The Company strictly complies with the standard requirement of 40 working hours per week. Our employees can enjoy the benefits of statutory holidays, annual casual leave, medical leave and marital leave.

##### Health and safety of employees

In order to create a safe and healthy working environment, the Company has strengthened its daily security and fire safety management and implemented various safety precautions in accordance with the applicable regulations of public security and fire departments and the relevant requirements of safety management of the Company, so as to fully protect the personal and property safety of its employees. In addition, the Company has regularly organized its employees to conduct safety education and fire drills to help them master fire protection knowledge and escape skills and to enhance their awareness of safety precautions.

To effectively protect the health and safety of our employees, the Company has maintained a supplemental medical insurance policy on top of our comprehensive medical protection scheme. Regular medical examination is conducted for employees. All-in-one body check device and body massage are introduced to our employees to maintain their health. The Company also held seminar on professional psychology titled “positive working attitude with smile” to take care of psychological health of our employees. During the Reporting Period, the Company was not aware of any incident of health and safety of employees.

Since the outbreak of the COVID-19, the Company has upheld the principle that pandemic prevention is a mandatory obligation. Haitong Unitrust has established a pandemic prevention committee to prepare the Contingency Plan of COVID-19 Prevention (No.1) (《新型冠狀病毒疫情防控制應急預案(1號)》) to effectively prevent the pandemic. The committee effectively organized the pandemic prevention and resumption of operation and maintained the good health of our employees.

In addition, the Company launched an online information platform to promote the activities of “Caring in Unitrust for Pandemic Prevention”. Updated pandemic prevention information, general scientific pandemic prevention knowledge and the stories of fighting the pandemic are promptly released to promote the pandemic prevention awareness and solidarity spirit of our employees.

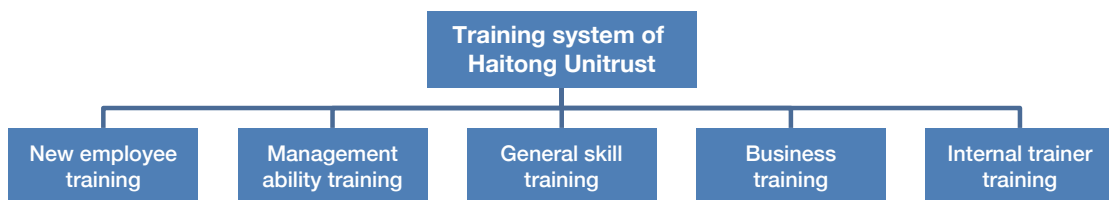
## 4.2 EMPLOYEE DEVELOPMENT SUPPORT

### Professional training for employees

The Company further enhances its personnel training by setting up a comprehensive and diversified personnel training system which focuses on both theory and practice. The Company formulated the Talent Team Competency Model Handbook (《人才梯隊能力模型手冊》), Training Management Handbook (《培訓管理手冊》), Implementation Rules for Management of Training Credit (《培訓學分管理實施細則》) and other rules, with an aim to further standardize and optimize its training management system. Through establishing an effective training management mechanism, a platform supporting employee development has been formed.

In 2020, the Company carried out a total of 107 training programs with 16,549 participants.

### Employee training system of Haitong Unitrust



### CASE STUDY: Management and leadership training Programs for employees

In 2020, based on its talent competency model, the Company organized customized programs to improve its managements’ decision-making capabilities and efficient execution capabilities through closed-loop method of testing, learning, training and examining, so as to improve the competence of its managements of all levels.

In addition, with an aim to intensify learning, improve capabilities and strengthen management, the Company has organized various management and leadership online programs for its managements at all levels, including “Sailing Project (遠航項目)” and “Anchor Project (啟航項目)”.



## CASE STUDY: “Dandelion” Program (「蒲公英」計劃), a specific business training program

“Dandelion” Program is a specific training program for business personnel. The program aims to teach business skills, share experience and create win-win culture. In 2020, the Company organized specific training programs for employees of advanced manufacturing and institutional business departments, so as to improve the quality of business operation. Such programs shared the difficulties encountered by business personnel in the course of business operation and formulated operation standards for different aspects of business operation, so as to further improve the performance of business personnel and enhance customer service experience.

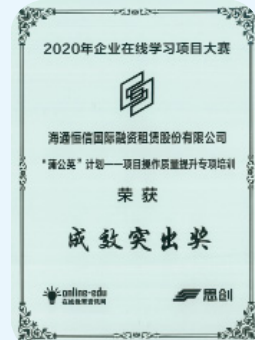
In 2020, “Dandelion” Program of Haitong Unitrust was presented with “2020 Booao Excellent Program Design Award (2020年博奧獎優秀教學設計獎)” and “Outstanding Achievement Award in 2020 Enterprise Online Learning Program Competition (2020年企業在線學習項目大賽成效突出獎)” by Online-edu.



Training program for improving business operation



2020 Booao Excellent Program Design Award



Outstanding Achievement Award in 2020 Enterprise Online Learning Program Competition

## Promotion system for employees

In terms of performance assessment, the Company is committed to establishing a scientific and effective performance management system and developing a performance culture featured by circular development of employee and employer. Based on its performance management system, the Company assesses the work performance and competency of its employees in a fair, comprehensive and objective manner, to meet the prerequisites for developing their development potential, improving their performance level and strengthening their performance management.

## Performance management system of Haitong Unitrust



In terms of position promotion, the Company follows the principles of market, profession and system orientation, developed the Measures for Management of MD Position System (《MD職位體系管理辦法》), establishes administrative level promotion and professional level promotion channels, creates the dual career development paths (promotion and demotion) with performance and ability as the orientation, fully reflects the recognition of values of various professionals, and builds a positive competition atmosphere.

The Company provides its employees with a transparent, standard and customized promotion path, and divides the position system into five professional orders as business sales, credit review risk control, business leaseback, product research and development and functional management horizontally, and sets up nine ranks (sixteen levels) as Senior Managing Director, Managing Director, Executive Manager and Director vertically, in order to adapt to different business characteristics and competition requirements.

### 4.3 CREATING A COMFORTABLE ENVIRONMENT

The key to harmonic development of a company is to enhance its unity and sense of belongings of employees. In terms of employee care, the Company keeps an eye on work-life balance of employees, pays attention to their pressure relief, and strives to create a healthy, positive and comfortable work atmosphere.

The Company has developed and implemented the Management Rules for Trade Union Consolation (《工會慰問工作管理細則》). The Company organizes various consolations during the Spring Festival, Dragon Boat Festival, Mid-Autumn Festival and National Day as well as consolation activities including heatstroke prevention, winter protection and haze protection to deliver warmth and care to employees. In 2020, the Company sent birthday greetings to 1,087 employees, matrimony and maternity greetings to 95 employees, and condolences to 20 employees.

The Company cares about female employees experiencing pre-maternity period, maternity period and breastfeeding period. In 2020, our new office in Haitong Unitrust Building has furnished a fully-equipped nursing room to provide a private, clean, comfortable and safe resting space for workplace mother. Meanwhile, the Company formulated the Administrative Measures for Nursing Room (《愛心媽咪小屋管理辦法》) to ensure the orderly management and operation of the nursing room.





Nursing room in Haitong Unitrust Building

Furthermore, the Company holds various activities to enrich the spare time life of employees. The Company regularly organizes cultural and sports activities such as football, basketball, yoga, flower arranging, calligraphy and tea tasting as well as festive activities including family day and Women's Day activities to enhance sense of belongings of our employees.



Celebration of 110<sup>th</sup> anniversary of International Women's Day



Family activity on Children's Day

## 5. CREATING HARMONIOUS LIFESTYLE WITH GREEN ECONOMY

### 5.1 COPING WITH CLIMATE CHANGE

#### Climate change management

In September 2020, at the general debate of the 75th United Nations General Assembly, Xi Jinping, the General Secretary, proposed that China would reach carbon dioxide emission peak by 2030 and achieve net-zero carbon emission by 2060. His speech has provided guidance in coping with climate change and promoting green and low-carbon development in China.

As a financial enterprise, the Company has proactively responded to the concerns about climate change of the government, investors and other stakeholders. The Company assesses its operation risks and opportunities arising from climate change based on the framework proposed by the Task Force on Climate-related Financial Disclosures (“TCFD”) of the Financial Stability Board (“FSB”). Countermeasures have been taken based on the assessment results, so as to minimize the impact of climate change on the Company effectively.

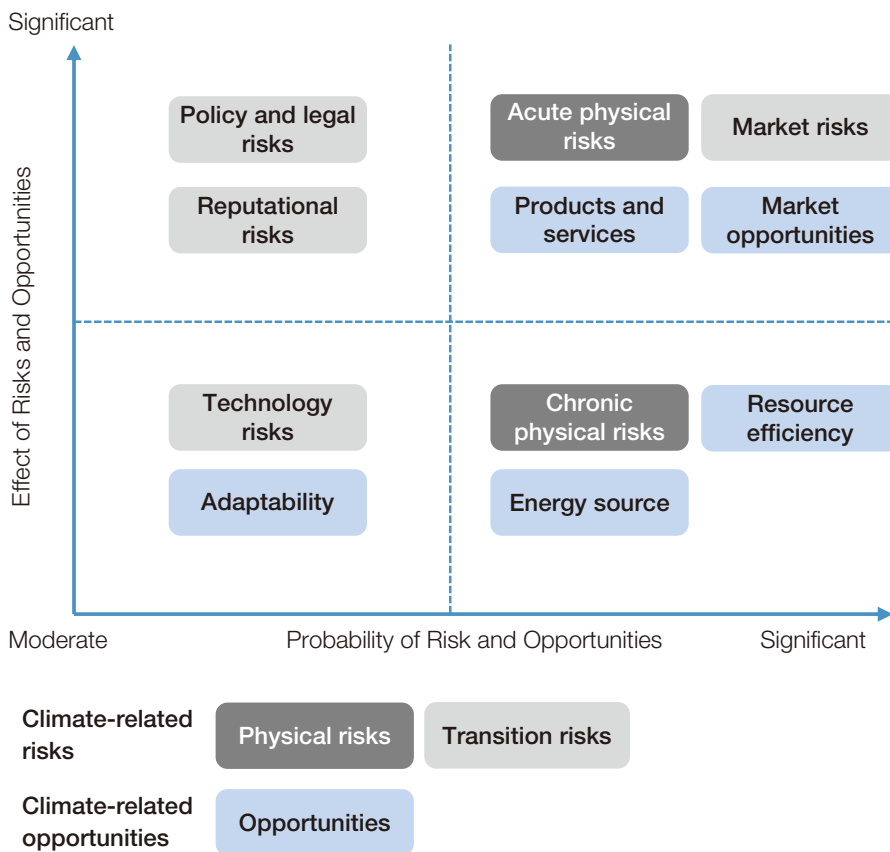
#### Climate change management System of Haitong Unitrust

Level	Actions
Governance	The Board is responsible for supervising matters related to ESG, including “coping with climate change”. All relevant departments and business units strive to cope with climate change as part of their main duties.
Strategy	Fully aware of the possible material effects of climate change on its operation, the Company conducts comprehensive assessment on the potential impact of risks and opportunities arising from climate change on our financial position. We are committed to mitigating risks and seizing opportunities through low-carbon operation and boosting the development of new energy industries.
Risk management	We identify our business risks and opportunities arising from climate change based on the framework proposed by the TCFD. We also intend to include risk management on climate change into our existing risk management system.
Indicators and objectives	Since 2019, we have disclosed statistical data of the total greenhouse gas emissions and greenhouse gas emission intensity of the parent company, subsidiaries and branches of Haitong Unitrust in our ESG Report on an annual basis and assessed our operation risks and opportunities arising from climate change.

## Identifying risks and opportunities arising from climate change

In order to mitigate risks arising from climate change and seize opportunities, the Company identifies such risks and opportunities and assess their potential effects on its financial position by studying overall policies, analyzing industry benchmarks and consulting authorities and professionals.

### Matrix of climate-related risks and opportunities of Haitong Unitrust



## Climate-related risks and opportunities of Haitong Unitrust

Climate-related risks/ opportunities	Description of risks/opportunities	Potential effects on financial position	Response measures	
Climate-related risks	Policy and legal risks	As the government is continuously imposing policies to cope with climate change, the Company and its customers may be in breach of contract or face penalties or litigations for failing to comply with policies and regulations.	Decrease in operating income Increase in operating cost	
	Reputational risks	As low-carbon economy and climate-related topics have become major concerns of the public, the reputation of the Company may be damaged if it fails to make reasonable response to climate change.	Decrease in operating income Increase in operating cost	
	Technology risks	Our customers who are engaging in traditional manufacturing, transportation and logistics or other industries may face transition risks arising from the development and application of low-carbon and energy conserving technologies to cope with climate change.	Decrease in operating income Devaluation of fixed assets	<ul style="list-style-type: none"> <li>All relevant departments and business units have strived to cope with climate change as part of their main duties</li> <li>The Company has further identified its operation risks and opportunities arising from climate change based on the framework proposed by the TCFD</li> <li>The Company has included substantive discussion about, and response to, climate change issues in the ESG Report</li> </ul>
	Market risks	Customer behavior may change due to climate change. Our customers who are engaging in traditional manufacturing, transportation and logistics or other industries may face market risks arising from the change in customer behavior, including increase in costs of raw materials and decrease in demand for energy-intensive products and services of customers.	Decrease in operating income Devaluation of fixed assets	
	Acute physical risks	The Company or its customers may suffer from property damage or interruption of operation due to extreme weather disasters such as typhoons, floods and storms.	Decrease in production capacity Increase in operating cost Devaluation of fixed assets	
	Chronic physical risks	The daily production or operation of the Company or its customers may be affected by chronic weather disasters such as rising temperature and sea levels	Decrease in production capacity Increase in operating cost Devaluation of fixed assets	

Climate-related risks/ opportunities	Description of risks/opportunities	Potential effects on financial position	Response measures
Climate-related opportunities	Products and services	If the Company provides financial services to climate-friendly companies which are focusing on the development and innovation of low-carbon products and technologies, the Company will benefit from the growth of such customers.	<p>Increase in operating income</p> <p>Appreciation of fixed asset</p> <ul style="list-style-type: none"> <li>The Company has put great efforts in providing financial supports for industries which engage in energy conservation and environmental protection, new energy batteries and clean energy business</li> </ul>
	Market opportunities	With the development of low-carbon economy, market preferences are shifting to climate-friendly companies. Therefore, conducting business that focuses on climate-friendly products and services will drive the growth of revenue.	<p>Increase in operating income</p> <p>Appreciation of fixed asset</p> <ul style="list-style-type: none"> <li>The Company has further refined the Guidelines for Credit Review of Public Transport Industry (《公共交通运输业信审指引》) and exerted efforts in granting financing facilities to new energy public transport industry, so as to support the establishment of green transportation cities</li> </ul>
	Resource efficiency	Resource expense of the Company may be reduced through enhancing the efficiency of the use of energy, water, materials and other resources in its daily operation.	Decrease in operating cost
	Energy source	Resource expense of the Company may be reduced through using low-carbon energy in its daily operation.	Decrease in operating cost
	Adaptability	The ability of the Company to adapt to climate change, manage risks and seize opportunities may be enhanced through promoting cooperation with industries or participating in relevant industry exchange for the purpose of tackling climate change.	<p>Increase in operating income</p> <p>Decrease in operating cost</p> <ul style="list-style-type: none"> <li>Haitong Unitrust Tower has been designed to promote energy conservation and emission reduction with the purchase of energy-saving equipment and the use new energy such as solar energy</li> </ul>

## Promoting energy conservation and emission reduction

As a financial enterprise, the Company mainly consumes electricity and natural gases as well as gasoline for its own vehicles in its daily operation. In order to manage risks arising from climate change and seize opportunities, the Company further saves energy and controls greenhouse gas emission through introducing energy conservation and emission reduction and green office initiatives.

## Energy conservation and emission reduction measures taken by Haitong Unitrust

- Offices have been equipped with energy-saving computers, refrigerators, lighting system and other energy-saving equipment;
- Power switches in offices are strictly checked after daily work while lights, computers, power strips, printers, water dispensers and other electrical appliances are turned off to avoid unnecessary energy consumption;
- Our video and teleconference system is able to support daily activities, such as remote training, job interviews, interviews, meetings, in order to reduce greenhouse gas emission caused by transportation;
- Haitong Unitrust Tower has been designed with green architectural concepts. The tower is equipped with heat-insulating glass curtain walls, various energy-saving appliances, solar energy and other new energy sources, so as to promote energy conservation.

## Supporting the development of new energy industry

The development of new energy is the only way to maintain climate security, alleviate energy crisis and promote sustainable development. In 2020, the General Office of the State Council issued New Energy Vehicle Industry Development Plan (2021–2035) (《新能源汽车产业规划(2021–2035年)》), which states that the government will promote the development of new energy vehicle industry in respect of technology innovation, system design and infrastructure.

As part of its major initiatives, the Company pursues the development of clean energy by developing the markets of new energy vehicle and its upstream and downstream industrial chains. In 2020, the Company revised the Guidelines for Credit Review of Public Transport Industry (《公共交通行业信审指引》) and provided greater support to public transport companies in prefecture-level cities and top 100 counties to fulfill their financing needs. Particularly, the Company provided strong financing support to public transport companies for the purchase of new energy vehicles.

In 2020, the Company carried out a number of financing projects for public transport companies for the purchase of new energy vehicles. These projects supported the establishment of green transportation cities by providing 691 new energy vehicles to Tai'an, Panzhou, Hengyang, Datong and other cities with a total financing amount of RMB419 million.



### CASE STUDY: **Supporting the development and utilization of clean energy**

The major new energy products of Lanzhou G Company Limited (“Company G”) include methanol fuel and integrated services for new energy vehicle. Company G is committed to assisting the development of energy conservation, emission reduction, environment protection, energy consumption reduction and other industries in Gansu and surrounding areas.

In 2020, Haitong Unitrust cooperated with Company G and revitalized the fixed assets of traditional energy sectors through sale and leaseback arrangements. The Company provided Company G with a liquidity of RMB300 million in aggregate and assisted Company G in replacing high-carbon energy with low-carbon resources under its integrated new energy utilization plan.

## 5.2 COMMITMENT TO GREEN DEVELOPMENT

### Supporting the development of the environmental protection industry

The Company proactively responds to the national initiatives to promote the modernization of ecology governance mechanism and governance. The emphasis is placed on the environmental protection industries such as sewage treatment, solid waste treatment and urban sanitation. With its efforts in three major aspects, namely system amendment, project approval and industry research, the Company is committed to providing more precise and professional financial services to environmental protection enterprises.

### Key task of Haitong Unitrust in supporting the development of the environmental protection industry in 2020

Key aspects	Key task
System amendment	The Company formulated the 2020 Guidelines for Credit Review of the Sanitation Industry (《2020年環衛行業信審指引》) to expedite the approval process of customers from the environmental sanitation management segments. Based on the customer group of our credit business, we strived to explore project credit extension opportunities with the formulation of the Credit Extension Plan for Projects (《項目制授信方案》).
Project approval	In 2020, the Company completed the approval of 46 environmental protection projects with a total amount of RMB2,271 million. Approval of 14 projects was completed under the Credit Extension Plan for Projects with a total amount of RMB751 million.
Industry research	Based on its research on customers of the environmental protection industry, the Company prepared research reports, including the Research on Medical Waste Treatment Industry and Proposal for Fast-track Approval (《醫療廢棄物處理行業研究及快速審批建議》), the Impact of the Pandemic on the Energy Saving and Environmental Protection Industry and 2020 Industry Strategies (《疫情對節能環保行業的影響及2020年行業策略》) and the Research on the Sanitation Industry (《環衛行業研究》), which have been shared internally.

In 2020, the Information and Environmental Protection Department of the Company served a total of 13 enterprises from the environmental protection industry, including sewage treatment, hazardous waste treatment, kitchen waste disposal and sanitation. The department provided a total financing amount of RMB316 million and indirectly assisted enterprises in disposing 21,835.0 thousand tonnes of sewage, 85.0 thousand tonnes of kitchen wastes and 119.0 thousand tonnes of hazardous wastes, resulting in significant environmental and social benefits.





### CASE STUDY: **Supporting the development of household waste disposal enterprises**

Zhengzhou H Company Limited (“Company H”) is a household waste sorting center mainly engaged in the disposal of domestic kitchen wastes which have already been sorted and transported. The daily average guaranteed waste disposal amount is 100 tonnes for kitchen wastes, 50 tonnes for fruit and vegetable wastes and 10 tonnes for large-size wastes.

Haitong Unitrust has cooperated with Company H to provide long-term financial services to assist Company H in disposing kitchen wastes that have been increasing over the years. Processed kitchen wastes are used for methane gas power generation to achieve waste recycling, contributing to the development of sanitation and environmental protection business and the improvement in the quality of life of the general public.

### **Green office**

The Company proactively promotes the operation philosophy of green office and strictly abides by environmental protection laws and regulations including the Environmental Protection Law of the People’s Republic of China (《中華人民共和國環境保護法》) with an aim to achieve highly efficient utilization of energy and resources.

During the Reporting Period, the Company found no confirmed environmental violations with a significant impact on the Company.

## Haitong Unitrust green office measures

Key aspects	Specific measures
Water resources management	<ul style="list-style-type: none"> <li>• post “Saving Water” labels on water consumption area to encourage water conservation</li> <li>• install water-saving equipment to avoid wastage caused by leakage</li> </ul>
Green renovation	<ul style="list-style-type: none"> <li>• purchase environmental-friendly products, including furniture with water-based paint</li> <li>• prioritize the use of green, energy-saving and environmental-friendly construction materials</li> <li>• implement green and environmental protection measures, such as resources conservation and air pollution control, during construction</li> </ul>
Paper saving	<ul style="list-style-type: none"> <li>• launch the printing card swiping system to avoid ineffective repeated printing and to minimize waste paper</li> <li>• encourage double sided printing to improve paper consumption efficiency</li> <li>• promote the use of electronic invoice instead of paper invoice</li> </ul>
Solid waste and wastewater treatment	<ul style="list-style-type: none"> <li>• place different types of waste bins on each floor to achieve sorting and collection of dry wastes, wet wastes, hazardous wastes and recyclable wastes</li> <li>• both non-hazardous wastes, such as paper boxes and used paper, and hazardous wastes, such as old batteries and electrical appliances, are handed to qualified suppliers for recycling or professional disposal</li> <li>• discharge the wastewater to municipal sewage plants by connecting the in-house pipes to the municipal pipeline</li> </ul>



### CASE STUDY: **Electronic deals platform to achieve paper saving**

In 2020, the Company exerted great efforts in promoting electronic deals. It cooperated with a reputable electronic deal service platform, E Sign (e簽寶), to launch an online electronic deal service platform for vehicle financial leasing, which replaces paper contracts with electronic contracts. This platform reduces paper consumption and streamlines the dispatch process of paper contracts, minimizing consumption of materials, such as paper, and energy consumption in the dispatch process.

As of the end of 2020, the Company completed more than 3,500 electronic deals in total and saved over 100 thousand pieces of papers.

### 5.3 COMMUNITY ENGAGEMENT

As a socially responsible enterprise, the Company is committed to promoting charity campaigns in its ordinary course of business and encouraging employees to participate in various charity activities. In 2020, with a focus on health and education aspects, the Company organized anti-pandemic donation and charity activities for poverty alleviation and underprivileged groups, contributing a total amount of RMB3,051,601 on community engagement.



### CASE STUDY: **Fulfilling responsibilities through anti-pandemic measures**

Since the outbreak of the COVID-19 pandemic, the Company has carried out practical measures to fulfill its anti-pandemic social responsibilities. In 2020, the Company donated approximately RMB3.42 million to Wuhan region through centralized donation allocation of “Haitong Charity Fund” (海通公益專項基金) under Shanghai Charity Foundation (上海市慈善基金會), which comprised employee donation of approximately RMB420,000 from the “Unitrust Anti-pandemic Fund” (恒信同心·共抗疫情) in support of the anti-pandemic measures.

Meanwhile, in response to the advocate of our parent company, Haitong Securities, we participated in a youth development supporting program, “Fighting Pandemic with the Youth” (青春戰疫·希望同行), in which our poverty alleviation efforts supported 100 teenagers from Chongming District and Jinshan District of Shanghai. This program allowed us to show our care and support for the young people whose daily lives were greatly affected by the pandemic.

As for volunteer services, in pursuit of the volunteering philosophy of “Contribution, Care, Mutual Aid and Progress”, the Company set up the “Haitong Unitrust Volunteer Service Team”(海通恒信志願服務隊) to raise the awareness of its employees on the importance of volunteer services and encourage their participation in community and volunteering activities. In 2020, the Company organized volunteering activities such as environmental protection, traffic control and dragon boat festival community activities, in which 126 employees participated with 229 hours of participation.



## CASE STUDY: Volunteering activity entitled “Cultivation of a Civilized and Harmonious Community”(「文明進社區、建設和諧家園」)

In order to build a neat, tidy and livable community, the Company actively participated in civilized community cultivation activities. In June 2020, in order to ensure the proper use of fire protection facilities and improve the community environment, the Company organized a volunteering activity, “Cultivation of a Civilized and Harmonious Community” (「文明進社區、建設和諧家園」), in which a team of volunteers was gathered to remove handbills on poles and walls and inspect fire protection facilities in the community.



“Cultivation of a Civilized and Harmonious Community”  
(「文明進社區、建設和諧家園」)  
youth volunteering activity

## KEY QUANTITATIVE PERFORMANCE TABLE

### ANTI-CORRUPTION PERFORMANCE INDICATORS

Indicator	Unit	2018	2019	2020
Number of closed corruption lawsuits lodged against the Company and employees	Case	0	0	0
Times of anti-corruption training <sup>(Note 1)</sup>	Time	10	30	4
Number of relevant persons receiving anti-corruption training <sup>(Note 2)</sup>	Person	342	1,665	297

Notes 1 and 2: In 2019, the target group of anti-corruption training of the Company was all the employees. In 2020, the training was only provided to certain employees, such as cadres and business backbone personnel. As a result, the data of anti-corruption training in 2020 represented a significant reduction as compared to 2019.

### CUSTOMER SERVICE PERFORMANCE INDICATORS

Indicator	Unit	2018	2019	2020
Number of customer inquiries <sup>(Note 1)</sup>	Case	26,030	55,368	113,257
Including: Number of complaints	Case	9	14	49
Percentage of complaint solving <sup>(Note 2)</sup>	%	100	100	100
Customer satisfaction	%	100	100	99.4

Note 1: [Data scope] The data scope included only the customer inquiries and complaints received by the customer service team under the business operation department of Haitong Unitrust in 2018 and 2019. The scope of data was extended to Haitong Unitrust and all of its branches and subsidiaries in 2020. The Company also established a new call center in 2020. Therefore, the number of customer inquiries and complaints in 2020 significantly increased as compared to 2019.

Note 2: [Method of calculation] Percentage of complaint solving = the number of complaints that were closed / total number of complaints.

**EMPLOYEE EMPLOYMENT PERFORMANCE INDICATORS**

Indicator		Unit	2018	2019	2020
Total employees		Person	1,460	1,684	<b>1,744</b>
By gender	Male	Person	925	1,090	<b>1,127</b>
	Female	Person	535	594	<b>617</b>
By employment type	Number of full-time contract employee	Person	1,433	1,652	<b>1,696</b>
	Number of full-time dispatched employee	Person	25	31	<b>47</b>
	Other employment type	Person	2	1	<b>1</b>
By age group	>50 years old	Person	15	17	<b>21</b>
	30 to 50 years old	Person	820	1,061	<b>1,231</b>
	<30 years old	Person	625	606	<b>492</b>
By region	Mainland China	Person	1,454	1,676	<b>1,738</b>
	Overseas (including Hong Kong, Macao and Taiwan)	Person	6	8	<b>6</b>
Employee turnover rate <sup>(Note 1)</sup>		%	14.23	14.73	<b>17.09</b>
By gender	Male	%	14.74	15.10	<b>18.63</b>
	Female	%	13.25	14.06	<b>14.26</b>
By age group	>50 years old	%	44.00	28.00	<b>14.29</b>
	30 to 50 years old	%	14.52	13.77	<b>14.78</b>
	<30 years old	%	12.85	15.50	<b>22.97</b>
By region	Mainland China	%	14.14	14.75	<b>17.03</b>
	Overseas (including Hong Kong, Macao and Taiwan)	%	25.00	11.11	<b>33.33</b>
Employees' leave	Actual number of female employees taking maternity leave	Person	31	32	<b>30</b>
	Proportion of female employees back to work after taking maternity leave <sup>(Note 2)</sup>	%	94	91	<b>93</b>

# Environmental, Social and Governance Report

Note 1: [Method of calculation] Employee turnover rate of a specific category = the number of employees in the specified category leaving employment during the year / the number of employees in the specified category by the end of the year.

Note 2: [Method of calculation] Proportion of female employees back to work after taking maternity leave = the number of female employees back to work after taking maternity leave / the actual number of female employees taking maternity leave.

## EMPLOYEE TRAINING PERFORMANCE INDICATORS

Indicator		Unit	2018	2019	2020
Person-time of employee training		Person-time	2,954	5,478	<b>16,549</b> <sup>(Note 3)</sup>
Coverage of employee training <sup>(Note 1)</sup>		%	100	100	<b>100</b>
By gender	Male	%	100	100	<b>64.62</b>
	Female	%	100	100	<b>35.38</b>
By employee category	Senior management	%	100	100	<b>0.52</b>
	Middle management	%	100	100	<b>3.73</b>
	General employees	%	100	100	<b>95.76</b>
Training duration per employee per year <sup>(Note 2)</sup>		Hours	12	17	<b>26</b>
By gender	Male	Hours	12	17	<b>27</b>
	Female	Hours	12	17	<b>24</b>
By employee category	Senior management	Hours	22	24	<b>26</b>
	Middle management	Hours	20	22	<b>31</b>
	General employees	Hours	12	17	<b>48</b>

Note 1: [Method of calculation] The training coverage of employees under each category in 2018 and 2019 = the number of employees in the specific category receiving training / the number of employees in the specific category. According to "How to Prepare an ESG Report – Appendix III: Reporting Guidance on Social KPLs" (March 2020) published by the Hong Kong Stock Exchange, the modified calculation method in 2020 is as follows: The training coverage of employees under each category = the number of employees in the specific category receiving training / the total number of employees in the specific category.

Note 2: [Method of calculation] Training duration per employee of each category per year = the total number of hours of training received by employees of the specific category / the number of employees of the specific category.

Note 3 : Due to the impact of COVID-19, the Company has transformed its offline training to online mode while expanding the training coverage. Therefore, the person-time of employee training in 2020 increased significantly as compared to 2019.

## OCCUPATIONAL HEALTH AND SAFETY PERFORMANCE INDICATORS

Indicator	Unit	2018	2019	2020
Coverage of physical examination for employees <sup>(Note 1)</sup>	%	92	89	<b>100</b>
Absence due to work-related injuries	Day	26	0	<b>6</b>
Incidence of employees' occupational disease <sup>(Note 2)</sup>	%	0	0	<b>0</b>

Note 1: [Method of calculation] Physical examination coverage of employees = the number of employees participated in physical examination during the year / the total number of employees at the end of the year.

Note 2: The Company is a financial company which does not involve occupational hazards such as dust, noise, radioactive materials, etc.



# Environmental, Social and Governance Report

**TABLE OF ENVIRONMENTAL PERFORMANCE INDICATORS<sup>(NOTE 1)</sup>**

Indicator	Unit	2018	2019	2020	
Total greenhouse gas emission <sup>(Note 2)</sup>	Tonne of CO <sub>2</sub> equivalent	879.43	985.79	<b>2,298.34<sup>(Note 3)</sup></b>	
Greenhouse gas emission per person	Tonne of CO <sub>2</sub> equivalent/person	0.53	0.52	<b>1.35</b>	
Greenhouse gas emission per unit area	Tonne of CO <sub>2</sub> equivalent/m <sup>2</sup>	0.05	0.06	<b>0.09</b>	
Total power consumption <sup>(Note 4)</sup>	kWh	884,280.04	1,010,630.29	<b>2,527,769.00</b>	
Power consumption per person	kWh/person	616.22	611.39	<b>1,489.55</b>	
Power consumption per unit area	kWh/m <sup>2</sup>	61.69	69.93	<b>98.48</b>	
Total water consumption <sup>(Note 5)</sup>	Tonne	80.00	80.00	<b>5,821</b>	
Water consumption per person	Tonne/person	0.06	0.05	<b>12.15</b>	
Water consumption per unit area	Tonne/m <sup>2</sup>	0.01	0.01	<b>0.40</b>	
Total natural gas consumption <sup>(Note 6)</sup>	m <sup>3</sup>	—	—	<b>38,400</b>	
Natural gas consumption per person	m <sup>3</sup> /person	—	—	<b>80.17</b>	
Natural gas consumption per unit area	m <sup>3</sup> /m <sup>2</sup>	—	—	<b>2.65</b>	
Gas consumed by the Company's own vehicles	litre	50,528.56	52,407.19	<b>62,663.29</b>	
	Waste				
	batteries	Unit	150	200	<b>450</b>
Hazardous waste	Ink box	Gram	—	—	<b>5,012</b>
	Toner cartridge	Pack	—	—	<b>142</b>
Non-hazardous waste <sup>(Note 7)</sup>	Kitchen waste	Tonne	—	—	<b>108</b>

Note 1: [Data scope] The data scope of total water consumption, intensity and the number of used batteries in 2018 and 2019 included Haitong Unitrust Headquarters and its subsidiaries. The data scope of total natural gas consumption and intensity, total water consumption and intensity, total amount of waste generated in 2020 included Haitong Unitrust Headquarters and its subsidiaries (excluding Haitong UniFortune). The data scope of other statistics included Haitong Unitrust Headquarters, its subsidiaries and its 17 branches.

Note 2: [Method of calculation] The direct energy used by the Company includes natural gas and gasoline, while the indirect energy includes electricity. Greenhouse gas emissions include direct greenhouse gas emission by natural gas consumption of the Company, and indirect greenhouse gas emission by outsourced power, which are estimated based on average carbon dioxide emission factor of Chinese regional power grids issued by Department of Climate Change of NDRC, greenhouse gas emission factor of mobile sources provided by the Stock Exchange, and urban greenhouse gas calculation tool 2.0 issued by WRI. Greenhouse gas emissions factor in 2020 was updated according to "How to Prepare an ESG Report — Appendix II: Reporting Guidance on Environmental KPLs" (March 2020).

Notes 3, 4, 5: In 2018 and 2019, Haitong Unitrust and its subsidiaries leased their own offices, and their utility charges were included in property fees and could not be separated. The power and water consumption were estimated. Since 2020, the Company has relocated to Haitong Unitrust Tower and has newly operated its own canteen, the water and power consumption data of which can be independently calculated. In 2020, the power consumption and intensity, water consumption and intensity and the total greenhouse gas emission and intensity were increased as compared to 2019. The Company will continue to adopt measures to enhance the level of its environmental management.

Note 6: Natural gas consumption in 2020 mainly refers to the consumption of the self-operated canteen in the Haitong Unitrust Tower.

Note 7: The non-hazardous waste generated in the operation of the Company mainly refers to the daily office waste, kitchen waste and other waste. The amount of office waste has not yet been calculated.

## SUPPLIER PERFORMANCE INDICATORS

Indicator	Unit	2018	2019	2020
Suppliers in Mainland China	Company	804	844	<b>688</b>
Suppliers overseas and in Hong Kong, Macau and Taiwan	Company	38	49	<b>51</b>

## REPORTING GUIDE

### ESG REPORTING GUIDE (DECEMBER 2019 WITH AMENDMENT TO BE EFFECTIVE FOR FISCAL YEARS BEGINNING ON OR AFTER JULY 1, 2020) INDEX OF THE STOCK EXCHANGE

Aspects, General Disclosures and KPIs	Description	Section
<b>A. Environment</b>		
<b>Aspect A1: Emissions</b>		
General Disclosure A1	Information on: <ul style="list-style-type: none"> <li>(a) the policies; and</li> <li>(b) compliance with relevant laws and regulations that have a significant impact on the issuer</li> </ul> <p>relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.</p>	5.1 Coping with Climate Change  5.2 Committed to Green Development
KPI A1.1	The types of emissions and respective emissions data.	Key Quantitative Performance Table
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Key Quantitative Performance Table
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Key Quantitative Performance Table
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Key Quantitative Performance Table

Aspects, General		
Disclosures and KPIs	Description	Section
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	5.1 Coping with Climate Change  5.2 Commitment to Green Development
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	5.2 Commitment to Green Development
<b>Aspect A2: Use of Resources</b>		
General Disclosure A2	Policies on the efficient use of resources, including energy, water and other raw materials.	5.1 Coping with Climate Change  5.2 Commitment to Green Development
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Key quantitative performance table
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Key quantitative performance table
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	5.1 Coping with Climate Change
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	5.2 Commitment to Green Development
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Not applicable, as the Company provides financial products

Aspects, General Disclosures and KPIs	Description	Section
<b>Aspect A3: The Environment and Natural Resources</b>		
General Disclosure A3	Policies on minimizing the issuer's significant impact on the environment and natural resources.	5.1 Coping with Climate Change 5.2 Commitment to Green Development
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	5.1 Coping with Climate Change 5.2 Commitment to Green Development
<b>Aspect A4: Climate Change</b>		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	5.1 Coping with Climate Change
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	5.1 Coping with Climate Change

Aspects, General		
Disclosures and KPIs	Description	Section
<b>B. Social</b>		
<b>Employment and Labour Practices</b>		
<b>Aspect B1: Employment</b>		
General Disclosure B1	<p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer</p> <p>relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.</p>	4.1 Protection of Employees' Rights
KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Key Quantitative Performance Table
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Key Quantitative Performance Table

Aspects, General Disclosures and KPIs		
Disclosures and KPIs	Description	Section
<b>Aspect B2: Health and Safety</b>		
General Disclosure B2	<p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer</p> <p>relating to providing a safe working environment and protecting employees from occupational hazards.</p>	4.1 Protection of Employees' Rights
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	4.1 Protection of Employees' Rights
KPI B2.2	Lost days due to work injury.	Key Quantitative Performance Table
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	4.1 Protection of Employees' Rights
<b>Aspect B3: Development and Training</b>		
General Disclosure B3	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	4.2 Employee Development Support
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. top management, middle management).	Key Quantitative Performance Table
KPI B3.2	The average training hours completed per employee by gender and employee category.	Key Quantitative Performance Table

Aspects, General	Description	Section
Disclosures and KPIs		
<b>Aspect B4: Labour Standards</b>		
General Disclosure B4	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer  relating to preventing child and forced labour.	4.1 Protection of Employees' Rights
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	4.1 Protection of Employees' Rights
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	4.1 Protection of Employees' Rights
<b>B. Social</b>		
<b>Operating Practices</b>		
<b>Aspect B5: Supply Chain Management</b>		
General Disclosure B5	Policies on managing environmental and social risks of the supply chain.	1.3 Risk and Compliance Management
KPI B5.1	Number of suppliers by geographical region.	Key Quantitative Performance Table
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	1.3 Risk and Compliance Management



Aspects, General		
Disclosures and KPIs	Description	Section
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	1.3 Risk and Compliance Management
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	1.3 Risk and Compliance Management
<b>Aspect B6: Product Responsibility</b>		
General Disclosure B6	<p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer</p> <p>relating to health and safety, advertising, labeling and privacy matters relating to products and services provided and methods of redress.</p>	<p>3.1 Enhancing Customer Services</p> <p>3.2 Information Security and Protection of Customer Privacy</p>
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not subject to recalls, as the Company provides financial products
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	3.1 Enhancing Customer Services
		Key Quantitative Performance Table

Aspects, General		
Disclosures and KPIs	Description	Section
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	1.3 Risk and Compliance Management
KPI B6.4	Description of quality assurance process and recall procedures.	Not subject to recalls, as the Company provides financial products
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	3.2 Information Security and Protection of Customer Privacy
<b>Aspect B7: Anti-corruption</b>		
General Disclosure B7	<p>Information on:</p> <p>(a) the policies; and</p> <p>(b) compliance with relevant laws and regulations that have a significant impact on the issuer</p> <p>relating to bribery, extortion, fraud and money laundering.</p>	1.3 Risk and Compliance Management
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Key Quantitative Performance Table
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	1.3 Risk and Compliance Management
KPI B7.3	Description of anti-corruption training provided to directors and staff.	1.3 Risk and Compliance Management
		Key Quantitative Performance Table

Aspects, General		
Disclosures and KPIs	Description	Section
<b>Aspect B8: Community Investment</b>		
General Disclosure B8	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	5.3 Community Engagement
KPI B8.1	Focus areas of contribution (e.g. education, environment, labour demand, health, culture and physical education).	5.3 Community Engagement
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	5.3 Community Engagement

“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 (currently known as Haitong UT MSE Financial Leasing (Shanghai) Co., Ltd (海通恒信小微融資租賃(上海)有限公司))
“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

## Definitions

“Haitong Unitrust”, “Company” or “We”	Haitong Unitrust International Financial Leasing Co., Ltd.
“Haitong UniFortune Financial Leasing”	Haitong UniFortune Financial Leasing (Shanghai) Corporation, previously known as Haitong UniTrust Financial Leasing (Shanghai) Corporation
“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
“RCEP”	Regional Comprehensive Economic Partnership
“Remuneration and Evaluation Committee”	the remuneration and evaluation committee of the Company

“Reporting Period”	the year ended December 31, 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
“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
“achieving peak in carbon emissions and carbon neutral”	a low-carbon development goal to reach the peak in carbon dioxide emission by 2030 and achieve carbon neutral by 2060 as proposed by the PRC government
“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
“new dual circulation development pattern”	a new development pattern with domestic circulation being treated as the mainstay and the domestic circulation and international circulation complementing each other as proposed by the PRC government
“NPA(s)”	non-performing asset(s)
“PPP”	long-term cooperative arrangements between government agencies and private investors for the construction and operation of infrastructure projects and delivery of the public services
“Six Supports”	supporting objectives proposed by the PRC government in respect of six major aspects, including employment, basic livelihood, market players, food and energy security, stabilized industry chains and supply chains as well as grassroots operation
“Six Stabilizations”	six policies proposed by the PRC government for stabilizing employment, financial market, foreign trade, foreign capital, investments and expectations
“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”



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

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

### OPINION

We have audited the consolidated financial statements of Haitong Unitrust International Financial Leasing Co., Ltd. (海通恆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 204 to 328, which comprises the consolidated statement of financial position as at December 31, 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### KEY AUDIT MATTERS

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



# Independent Auditor's Report

## Key audit matter

### Expected credit loss allowance of finance lease receivables, receivables arising from sale and leaseback arrangements and loans and receivables

We identified expected credit loss ("ECL") allowance of finance lease receivables, receivables arising from sale and leaseback arrangements and loans and receivables as a key audit matter due to the aggregate amount of these assets is material and it requires the application of judgment and estimation by the management to determine the amount of ECL.

The measurement model for ECL involves significant judgements and estimations, including determination of whether there is significant increase in credit risk (SICR) and whether an asset is credit-impaired, the probability of default (PD) and loss given default (LGD), and incorporation of forward-looking information.

As disclosed in Notes 20, 21 and 22, respectively, as at December 31, 2020, the Group held finance lease receivables of RMB49,929 million, less loss allowance of RMB1,518 million; receivables arising from sale and leaseback arrangements of RMB35,692 million, less loss allowance of RMB477 million; loans and receivables of RMB8,274 million, less loss allowance of RMB644 million.

## How our audit addressed the key audit matter

Our procedures in relation to the expected credit loss allowance of finance lease receivables, receivables arising from sale and leaseback arrangements and loans and receivables included:

- We understood management's process in credit approval, post approval monitoring, the identification of SICR indicators and impairment evidence, and data used in ECL model;
- In particular, we tested the operating effectiveness of the controls over the identification of SICR indicators and impairment evidence;
- On sample basis, we obtained credit analysis performed by management based on the business operating and financial information of the debtors, type of collaterals or guarantors to assess the appropriateness of the management's identification of SICR and credit-impaired assets;
- With the support of our internal specialists, we evaluated the reasonableness of the ECL model methodology and related parameters including PD, LGD, SICR, risk exposure and forward-looking information;
- For data used in ECL model, we tested, on sample basis, the credit risk grading, write-off and recovery data for the year by checking to the relevant information on the credit risk grading list and write-off list approved by the management, and actual recovery records;
- For credit-impaired assets, we tested on a samples basis the reasonableness of future cash flows estimated by the Group, including the expected recoverable amount from the counterparties, guarantors, or realisation of collateral held in supporting the computation of loss allowance; and
- Recalculating the ECL allowance made by management.

## OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

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

## Independent Auditor's Report

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

## Independent Auditor's Report

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

The engagement partner on the audit resulting in the independent auditor's report is Mr. Shi Chung Fai.

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

March 30, 2021

# Consolidated Statement of Profit or Loss for the Year Ended December 31, 2020

	Notes	2020 RMB'000	2019 RMB'000
Revenue			
Finance lease income	5	3,932,864	4,552,042
Interest income from sale and leaseback arrangements	5	2,017,118	716,325
Operating lease income	5	464,433	433,634
Service fee income	5	1,148,831	1,065,371
Factoring interest income	5	312,109	306,216
Entrusted loan and other loan interest income	5	39,671	71,347
<b>Total revenue</b>		<b>7,915,026</b>	<b>7,144,935</b>
Net investment gains	6	34,484	3,755
Share of result of a joint venture	19	(40,339)	8,419
Other income, gains or losses	7	635,891	291,872
<b>Total revenue and other income, gains or losses</b>		<b>8,545,062</b>	<b>7,448,981</b>
Depreciation and amortisation	8	(359,048)	(257,043)
Staff costs	9	(585,468)	(546,404)
Interest expenses	10	(3,676,099)	(3,331,259)
Other operating expenses	11	(508,158)	(193,161)
Listing expenses		—	(31,451)
Impairment losses under expected credit loss model	12	(1,917,515)	(1,272,352)
Other impairment losses		(10,567)	(16,186)
<b>Total expenses</b>		<b>(7,056,855)</b>	<b>(5,647,856)</b>
<b>Profit before income tax</b>		<b>1,488,207</b>	<b>1,801,125</b>
Income tax expenses	13	(372,223)	(446,213)
<b>Profit for the year</b>		<b>1,115,984</b>	<b>1,354,912</b>

## Consolidated Statement of Profit or Loss for the Year Ended December 31, 2020

	Notes	2020 RMB'000	2019 RMB'000
Attributable to:			
Owners of the Company			
– Ordinary shareholders		1,065,289	1,266,487
– Other equity instrument holders		50,221	50,148
Non-controlling interests		474	38,277
		<b>1,115,984</b>	1,354,912
Earnings per share attributable to ordinary shareholders of the Company (Expressed in RMB Yuan per share)			
– Basic	14	0.13	0.16
– Diluted	14	N/A	0.16

# Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Year Ended December 31, 2020

	2020 RMB'000	2019 RMB'000
Profit for the year	1,115,984	1,354,912
<b>Other comprehensive (expense)/income:</b>		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	(72,867)	27,892
Fair value (loss)/gain on hedging instrument designated as cash flow hedges	(74,695)	2,502
Other comprehensive (expense)/income for the year, net of income tax	(147,562)	30,394
Total comprehensive income for the year	968,422	1,385,306
Attributable to:		
Owners of the Company		
— Ordinary shareholders	917,727	1,296,881
— Other equity instrument holders	50,221	50,148
Non-controlling interests	474	38,277
	968,422	1,385,306

# Consolidated Statement of Financial Position as at December 31, 2020

	Notes	2020/12/31 RMB'000	2019/12/31 RMB'000
<b>Non-current assets</b>			
Property and equipment	16	7,154,205	4,730,048
Right-of-use assets	17	165,036	185,720
Intangible assets	18	15,386	15,774
Finance lease receivables	20	20,751,276	24,786,256
Receivables arising from sale and leaseback arrangements	21	20,132,302	13,148,660
Interest in a joint venture	19	—	710,889
Financial assets at fair value through profit or loss	27	326,285	35,921
Loans and receivables	22	1,249,177	2,738,737
Deferred tax assets	23	1,540,986	1,006,941
Other assets	24	944,543	538,857
<b>Total non-current assets</b>		<b>52,279,196</b>	<b>47,897,803</b>
<b>Current assets</b>			
Finance lease receivables	20	27,660,127	28,155,387
Receivables arising from sale and leaseback arrangements	21	15,082,174	8,795,032
Loans and receivables	22	6,380,913	5,345,915
Other assets	24	952,265	921,422
Accounts receivable	25	36,913	16,682
Financial assets held under resale agreements	26	—	1,154,514
Financial assets at fair value through profit or loss	27	572,915	1,252,063
Derivative financial assets	28	—	49,619
Cash and bank balances	29	5,176,968	5,458,838
<b>Total current assets</b>		<b>55,862,275</b>	<b>51,149,472</b>
<b>Total assets</b>		<b>108,141,471</b>	<b>99,047,275</b>



## Consolidated Statement of Financial Position as at December 31, 2020

	Notes	2020/12/31 RMB'000	2019/12/31 RMB'000
<b>Current liabilities</b>			
Borrowings	30	22,205,176	19,660,876
Derivative financial liabilities	28	359,910	98,805
Accrued staff costs	31	217,571	175,986
Accounts payable	32	30,118	279,399
Bonds payable	33	18,408,850	20,114,151
Income tax payable		663,899	494,850
Other liabilities	34	6,477,034	5,359,619
<b>Total current liabilities</b>		<b>48,362,558</b>	<b>46,183,686</b>
<b>Net current assets</b>		<b>7,499,717</b>	<b>4,965,786</b>
<b>Total assets less current liabilities</b>		<b>59,778,913</b>	<b>52,863,589</b>
<b>Equity</b>			
Share capital	35	8,235,300	8,235,300
Reserves			
– Capital reserve	36	2,497,465	2,497,465
– Surplus reserve	36	409,181	314,999
– Hedging reserve	36	(72,193)	2,502
– Translation reserve	36	(54,592)	18,275
Retained profits		3,263,152	2,967,374
Other equity instruments	37	1,523,756	1,237,212
<b>Equity attributable to owners of the Company</b>			
– Ordinary shareholders		14,278,313	14,035,915
– Other equity instrument holders		1,523,756	1,237,212
Non-controlling interests		51,730	16,660
<b>Total equity</b>		<b>15,853,799</b>	<b>15,289,787</b>

## Consolidated Statement of Financial Position as at December 31, 2020

	Notes	2020/12/31 RMB'000	2019/12/31 RMB'000
<b>Non-current liabilities</b>			
Borrowings	30	21,796,398	18,096,373
Bonds payable	33	13,951,119	11,332,791
Deferred tax liabilities	23	18,295	10,808
Other liabilities	34	8,159,302	8,133,830
Total non-current liabilities		43,925,114	37,573,802
<b>Total equity and non-current liabilities</b>		<b>59,778,913</b>	52,863,589

The consolidated financial statements on pages 204 to 328 were approved and authorised for issue by the Board of Directors on March 30, 2021 and signed on behalf by:

Ding Xueqing  
Chairman of the Board/  
Executive Director

Zhou Jianli  
Executive Director/  
General Manager

# Consolidated Statement of Changes in Equity for the Year Ended December 31, 2020

	Attributable to owners of the Company									Total equity RMB'000
	Share capital RMB'000	Capital reserve RMB'000	Surplus reserve RMB'000	Hedging reserve RMB'000	Translation reserve RMB'000	Retained profits RMB'000	Ordinary shareholders Sub-total RMB'000	Other equity instruments RMB'000	Non- controlling interest RMB'000	
	<b>At December 31, 2019</b>	8,235,300	2,497,465	314,999	2,502	18,275	2,967,374	14,035,915	1,237,212	
Profit for the year	-	-	-	-	-	1,065,289	1,065,289	50,221	474	1,115,984
Other comprehensive expense for the year	-	-	-	(74,695)	(72,867)	-	(147,562)	-	-	(147,562)
Total comprehensive (expense)/ income for the year	-	-	-	(74,695)	(72,867)	1,065,289	917,727	50,221	474	968,422
Capital injection by non-controlling interests (Note 51)	-	-	-	-	-	-	-	-	34,596	34,596
Issuance of other equity instrument	-	-	-	-	-	-	-	286,500	-	286,500
Appropriation to surplus reserve	-	-	94,182	-	-	(94,182)	-	-	-	-
Distribution of other equity instruments	-	-	-	-	-	-	-	(50,211)	-	(50,211)
Dividends recognised as distribution (Note 15)	-	-	-	-	-	(675,295)	(675,295)	-	-	(675,295)
Others	-	-	-	-	-	(34)	(34)	34	-	-
<b>At December 31, 2020</b>	8,235,300	2,497,465	409,181	(72,193)	(54,592)	3,263,152	14,278,313	1,523,756	51,730	15,853,799

## Consolidated Statement of Changes in Equity for the Year Ended December 31, 2020

	Attributable to owners of the Company									Total equity RMB'000
	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 instruments RMB'000	Non- controlling interest RMB'000	
							shareholders Sub-total RMB'000			
<b>At January 1, 2019</b>	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 year	–	–	–	–	–	1,266,487	1,266,487	50,148	38,277	1,354,912
Other comprehensive income for the year	–	–	–	2,502	27,892	–	30,394	–	–	30,394
<b>Total comprehensive income for the year</b>	–	–	–	2,502	27,892	1,266,487	1,296,881	50,148	38,277	1,385,306
Issuance of shares, net (Note 35)	1,235,300	728,501	–	–	–	–	1,963,801	–	–	1,963,801
Capital injection by non-controlling interests (Note 51)	–	–	–	–	–	–	–	–	14,304	14,304
Appropriation to surplus reserve	–	–	111,553	–	–	(111,553)	–	–	–	–
Distribution of other equity instruments	–	–	–	–	–	12,516	12,516	(50,062)	–	(37,546)
Dividends recognised as distribution	–	–	–	–	–	(411,765)	(411,765)	–	–	(411,765)
Effect of acquisition of a subsidiary	–	(11,199)	–	–	–	–	(11,199)	–	(530,922)	(542,121)
Others	–	–	–	–	–	(118)	(118)	118	–	–
<b>At December 31, 2019</b>	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

# Consolidated Statement of Cash Flows for the Year Ended December 31, 2020

	2020 RMB'000	2019 RMB'000
<b>OPERATING ACTIVITIES</b>		
Profit before income tax	1,488,207	1,801,125
Adjustments for:		
Interest expenses	3,676,099	3,331,259
Interest income from deposits with financial institutions	(73,459)	(71,667)
Impairment losses recognised	1,928,082	1,288,538
Depreciation and amortisation	359,048	257,043
Loss/(gain) on disposal of property and equipment	250	(42)
Share of result of a joint venture	40,339	(8,419)
Foreign exchange losses, net	4,032	10,382
Net gains arising from financial assets at fair value through profit or loss	(9,375)	(8,569)
Unrealised fair value change	(8,313)	91,822
Operating cash flows before movements in working capital	7,404,910	6,691,472
Decrease in finance lease receivables	5,626,359	7,971,983
Increase in receivables arising from sale and leaseback arrangements	(13,289,752)	(22,193,103)
Decrease/(increase) in loans and receivables	54,499	(1,658,829)
Decrease in financial assets at fair value through profit or loss	574,002	1,041,000
(Increase)/decrease in accounts receivable	(39,439)	13,513
Increase in other assets	(330,604)	(322,592)
Increase in accrued staff costs	36,480	37,793
Decrease in accounts payable	(249,281)	(121,739)
Increase in other liabilities	439,963	2,385,378
Cash generated from/(used in) operations	227,137	(6,155,124)
Income taxes paid, net	(665,623)	(587,607)
Interest received	73,459	71,667
Interest paid	(3,036,868)	(2,695,169)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(3,401,895)</b>	<b>(9,366,233)</b>

## Consolidated Statement of Cash Flows for the Year Ended December 31, 2020

		2020	2019
	Notes	RMB'000	RMB'000
<b>INVESTING ACTIVITIES</b>			
Proceeds on sale of financial assets held under resale agreements		3,781,400	17,690,300
Proceeds on sale of financial assets at fair value through profit or loss		7,510,481	6,312,569
Disposal of property and equipment		17	77
(Payments)/proceeds of restricted deposits		(200,313)	215,535
Purchase of financial assets held under resale agreements		(3,200,600)	(17,862,500)
Purchase of financial assets at fair value through profit or loss		(7,267,865)	(6,291,000)
Purchase of asset-backed securities		(52,730)	—
Purchase of property and equipment and intangible assets		(2,765,741)	(918,147)
Acquisition of a subsidiary		(812,602)	(172,314)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(3,007,953)</b>	<b>(1,025,480)</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from issuance of ordinary shares		—	2,040,364
Proceeds from issuance of other equity instrument		286,500	—
Proceeds from capital injection of the non-controlling investors		34,596	14,304
Proceeds from borrowings	41	27,719,873	27,427,708
Proceeds from issuance of bonds	41	30,080,599	28,563,754
Repayment of borrowings	41	(22,015,696)	(21,033,719)
Repayment of bonds payable	41	(29,169,117)	(24,525,841)
Repayments of lease liabilities	41	(63,994)	(41,184)
Payments for the costs of borrowing	41	(63,222)	(61,783)
Payments for the costs of bonds issuance	41	(153,578)	(93,229)
Payment for the costs of other equity instruments issuance		(2,402)	(2,186)
Issue costs paid		—	(65,866)
Payment of distribution of other equity instruments	41	(50,211)	(50,062)
Payment of dividends	41	(675,295)	(411,765)
<b>NET CASH FROM FINANCING ACTIVITIES</b>		<b>5,928,053</b>	<b>11,760,495</b>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(481,795)</b>	<b>1,368,782</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>	40	<b>5,053,127</b>	<b>3,662,767</b>
Effect of foreign exchange rate changes		(373)	21,578
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	40	<b>4,570,959</b>	<b>5,053,127</b>

# Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

## 1. GENERAL INFORMATION

Haitong Unitrust International Financial Leasing Co., Ltd. (海通恆信國際融資租賃股份有限公司) (the “Company”) was listed on The Stock Exchange of Hong Kong Limited 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 other services as approved by relevant laws and regulations.

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

## 2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

### *Amendments to IFRSs that are mandatorily effective for the current year*

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in IFRSs Standards* and the following amendments to IFRSs issued by the International Accounting Standards Board (“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 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

The application of the *Amendments to References to the Conceptual Framework in IFRSs Standards* and the amendments to IFRSs in the current year had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

# Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

## 2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (CONTINUED)

### *New and amendments to IFRSs in issue but not yet effective*

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

IFRS 17	Insurance Contracts and the related Amendments <sup>1</sup>
Amendment to IFRS 16	Covid-19-Related Rent Concessions <sup>4</sup>
Amendments to IFRS 3	Reference to the Conceptual Framework <sup>2</sup>
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform — Phase 2 <sup>5</sup>
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to IAS 1	Classification of Liabilities as Current or Non-current <sup>1</sup>
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies <sup>1</sup>
Amendments to IAS 8	Definition of Accounting Estimates <sup>1</sup>
Amendments to IAS 16	Property, Plant and Equipment — Proceeds before Intended Use <sup>2</sup>
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract <sup>2</sup>
Amendments to IFRSs	Annual Improvements to IFRSs 2018–2020 <sup>2</sup>

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

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

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

4 Effective for annual periods beginning on or after June 1, 2020.

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

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



# Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

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

### 3.1 Basis of preparation of consolidated financial statements

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

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

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

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

# Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

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

### 3.1 Basis of preparation of consolidated financial statements (continued)

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

### 3.2 Significant accounting policies

#### *Basis of consolidation*

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

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

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

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

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

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

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

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

# Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

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

### 3.2 Significant accounting policies (continued)

#### *Basis of consolidation (continued)*

##### **Changes in the Group's interests in existing subsidiaries**

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

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

#### *Business combinations*

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

Except for certain recognition exemptions, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the IASB's *Conceptual Framework for Financial Reporting* issued in September 2010.

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

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

# Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

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

### 3.2 Significant accounting policies (continued)

#### *Business combinations (continued)*

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

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

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

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

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

# Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

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

### 3.2 Significant accounting policies (continued)

#### *Business combinations (continued)*

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

#### *Investments in subsidiaries*

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

#### *Investments in a joint venture*

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of the joint venture are incorporated in the consolidated financial statements using the equity method of accounting. The financial statements of the joint venture used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances.

Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. Changes in net assets of the joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

## Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

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

#### 3.2 Significant accounting policies (continued)

##### *Investments in a joint venture (continued)*

The Group assesses whether there is an objective evidence that the interest in a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former joint venture and the retained interest is a financial asset within the scope of IFRS 9, the Group measures the retained interest at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the joint venture, and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the joint venture is included in the determination of the gain or loss on disposal of the joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that joint venture on the same basis as would be required if that joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant joint venture.

When the Group reduces its ownership interest in a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When the Group increases its ownership interest in a joint venture, the consideration transferred to acquire the additional shares should be added to the existing carrying amount of the investment without remeasurement of the previously held interest.

When a group entity transacts with a joint venture of the Group, profits and losses resulting from the transactions with the joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

# Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

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

### 3.2 Significant accounting policies (continued)

#### *Property and equipment*

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

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

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

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

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

	Estimated residual value rates	Estimated useful lives
Electronic equipment	5%	3–5 years
Motor vehicles	5%	6 years
Office equipment	5%	3–5 years
Leasehold improvements	nil	2–5 years
Leasehold land and buildings	5%	30–35 years

# Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

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

### 3.2 Significant accounting policies (continued)

#### *Property and equipment (continued)*

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

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

#### *Investment properties*

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

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

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

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

#### *Properties under development/properties for sale*

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

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



# Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

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

### 3.2 Significant accounting policies (continued)

#### *Intangible assets*

##### **Intangible assets acquired separately**

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

##### **Derecognition of intangible assets**

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

##### ***Impairment on tangible and intangible assets other than goodwill***

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

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

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

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

#### 3.2 Significant accounting policies (continued)

##### *Impairment on tangible and intangible assets other than goodwill (continued)*

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

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

##### *Leases*

###### **Definition of a lease**

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

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

###### **The Group as a lessee**

###### *Allocation of consideration to components of a contract*

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

Non-lease components are separated from lease component on the basis of their relative stand-alone prices.

###### *Short-term leases and leases of low-value assets*

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

# Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

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

### 3.2 Significant accounting policies (continued)

#### *Leases (continued)*

##### **The Group as a lessee (continued)**

#### *Right-of-use assets*

The cost of right-of-use asset includes:

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

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

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

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

#### *Refundable rental deposits*

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

#### *Lease liabilities*

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

# Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

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

### 3.2 Significant accounting policies (continued)

#### *Leases (continued)*

#### **The Group as a lessee (continued)**

#### *Lease liabilities (continued)*

The lease payments include:

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

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

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment; or
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities within “borrowings”.

# Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

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

### 3.2 Significant accounting policies (continued)

#### *Leases (continued)*

##### **The Group as a lessee (continued)**

#### *Lease modifications*

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

##### **The Group as a lessor**

#### *Classification and measurement of leases*

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognised as receivables at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Initial direct costs (other than those incurred by manufacturer or dealer lessors) are included in the initial measurement of the net investments in the leases. Interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

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

#### 3.2 Significant accounting policies (continued)

##### *Leases (continued)*

##### **The Group as a lessor (continued)**

##### *Classification and measurement of leases (continued)*

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term.

Interest and rental income which are derived from the Group's ordinary course of business are presented as revenue.

##### *Refundable rental deposits*

Refundable rental deposits received are accounted for under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

##### *Lease modification*

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

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

##### **Sale and leaseback transactions**

The Group applies the requirements of IFRS 15 to assess whether sale and leaseback transaction constitutes a sale by the Group.

##### *The Group as a buyer-lessor*

For a transfer of asset that does not satisfy the requirements of IFRS 15 to be accounted for as a sale of asset, the Group as a buyer-lessor does not recognise the transferred asset and recognises a receivable arising from sale and leaseback arrangements equal to the transfer proceeds within the scope of IFRS 9.

For a transfer of asset that satisfies the requirements of IFRS 15 to be accounted for as a sale of asset, the Group as a buyer-lessor accounts for the purchase of the asset applying applicable standards, and for the lease applying the lessor accounting requirements in accordance with IFRS 16.

# Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

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

### 3.2 Significant accounting policies (continued)

#### *Foreign currencies*

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency (foreign currencies) are recognised at the rates of exchanges prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into RMB, which is the presentation currency of the Group, using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period or the exchange rates similar with the spot exchange rate on the date of the transaction. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (and attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the shareholders of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss.

#### *Borrowing costs*

Borrowing costs directly attributable to the acquisition or construction of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. For properties under development for which revenue is recognised over time, the Group ceases to capitalise borrowing costs as soon as the properties are ready for the Group's intended sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

# Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

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

### 3.2 Significant accounting policies (continued)

#### *Government grants*

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under “other income, gains or losses”.

#### *Employee benefits*

##### **Short-term and other long-term employee benefits**

A liability is recognised for benefits accruing to employees in respect of wages and salaries in the period the related service is rendered after deducting any amount already paid.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

##### **Social welfare**

Social welfare expenditure refers to payments for employees’ social welfare system established by the government of the PRC, including social pension insurance, health care insurance, housing funds and other social welfare contributions. The Group contributes on a regular basis to these funds based on certain percentage of the employees’ salaries and the contributions are recognised in profit or loss for the period when employees have rendered service entitling them to the contribution.



# Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

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

### 3.2 Significant accounting policies (continued)

#### *Taxation*

Income tax expense represents the sum of the tax currently payable and deferred tax.

#### **Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit/loss before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

#### **Deferred tax**

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

# Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

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

### 3.2 Significant accounting policies (continued)

#### *Taxation (continued)*

##### **Deferred tax (continued)**

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group applies IAS 12 *Income Taxes* requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

##### **Current and deferred tax for the year**

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

#### *Financial instruments*

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

# Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

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

### 3.2 Significant accounting policies (continued)

#### *Financial instruments (continued)*

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest which are derived from the Group's ordinary course of business are presented as revenue.

#### **Financial assets**

##### *Classification and subsequent measurement of financial assets*

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 *Business Combinations* applies.

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

#### 3.2 Significant accounting policies (continued)

##### *Financial instruments (continued)*

##### *Financial assets (continued)*

##### *Classification and subsequent measurement of financial assets (continued)*

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that is required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

##### *Amortised cost and interest income*

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

##### *Financial assets at FVTPL*

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the “net investment gains” line item.

# Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

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

### 3.2 Significant accounting policies (continued)

#### *Financial instruments (continued)*

##### **Financial assets (continued)**

##### ***Impairment of financial assets and other items subject to impairment assessment under IFRS 9***

The Group performs impairment assessment under expected credit loss (“ECL”) model on financial assets which are subject to impairment assessment under IFRS 9, including bank balances, finance lease receivables, receivables arising from sale and leaseback arrangements, loans and receivables, financial assets held under resale agreements, accounts receivable and other financial assets. The amount of ECL is updated at the end of each reporting period to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument (referred to as Stage 2 and Stage 3). In contrast, 12-month ECL (“12m ECL”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date (referred to as Stage 1). Assessment are done based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for accounts receivable. The ECL on these assets are assessed individually for debtors with significant balances and collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

##### ***Credit-impaired financial assets***

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the borrower or issuer;
- (b) the borrower is past due more than 90 days;
- (c) the borrower is unlikely to pay its credit obligations to the Group in full;
- (d) the disappearance of an active market for that financial asset because of financial difficulties; or
- (e) other objective evidences of credit-impairment.

# Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

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

### 3.2 Significant accounting policies (continued)

#### *Financial instruments (continued)*

#### *Financial assets (continued)*

#### *Credit-impaired financial assets (continued)*

When assessing the likelihood of the borrower to pay its credit obligation, the Group takes into account both qualitative and quantitative indicators. Qualitative indicator, such as the breach of covenants, and quantitative indicators, such as overdue status and non-payment on another obligation of the same counterparty are key inputs in this analysis. The Group uses a variety of sources of information to assess credit-impairment which are either developed internally or obtained from external sources.

It may not be possible to identify a single discrete event. Instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Group assesses whether debt instruments that are measured at amortised cost are credit-impaired at each reporting date.

#### *Significant increase in credit risk*

The Group monitors all financial assets that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime ECL rather than 12-month ECL. The Group's accounting policy is to use the practical expedient that financial assets with 'low' credit risk at the reporting date are deemed not to have had a significant increase in credit risk. As a result, the Group monitors all financial assets that are subject to impairment for significant increase in credit risk.

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

# Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

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

### 3.2 Significant accounting policies (continued)

#### *Financial instruments (continued)*

#### **Financial assets (continued)**

#### *Significant increase in credit risk (continued)*

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- the borrower is past due more than 30 days;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

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

#### 3.2 Significant accounting policies (continued)

##### *Financial instruments (continued)*

##### **Financial assets (continued)**

##### ***Measurement and recognition of ECL***

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on accounts receivable using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a finance lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with IFRS 16.

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

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

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

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

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.



# Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

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

### 3.2 Significant accounting policies (continued)

#### *Financial instruments (continued)*

##### **Financial assets (continued)**

##### ***Measurement and recognition of ECL (continued)***

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, except for finance lease receivables, receivables arising from sale and leaseback arrangements, loans and receivables, other assets, accounts receivable, financial assets held under resale agreements, cash and bank balances, where the corresponding adjustment is recognised through a loss allowance account.

##### ***Derecognition of financial assets***

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss, with the exception of equity investment designated as measured at FVTOCI, where the cumulative gain or loss previously recognised in other comprehensive income is not subsequently reclassified to profit or loss, but is transferred to retained profits.

##### ***Write-off policy***

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

##### **Financial liabilities and equity**

##### ***Classification as debt or equity***

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument.

# Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

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

### 3.2 Significant accounting policies (continued)

#### *Financial instruments (continued)*

#### **Financial liabilities and equity (continued)**

#### *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

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

#### *Financial liabilities*

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

#### *Financial liabilities at FVTPL*

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which IFRS 3 applies, (ii) held for trading, or (iii) it is designated as at FVTPL.

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

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

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

# Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

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

### 3.2 Significant accounting policies (continued)

#### *Financial instruments (continued)*

#### **Financial liabilities and equity (continued)**

#### *Financial liabilities at amortised cost*

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

#### *Derecognition/modification of financial liabilities*

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, canceled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the contractual terms of a financial liability are modified, the Group assess whether the revised terms result in a substantial modification from original terms taking into account all relevant facts and circumstances including qualitative factors. If qualitative assessment is not conclusive, the Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly, such modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent.

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

#### **Derivative financial instruments**

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which case the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

All derivatives are recognised as assets when the fair value is positive and as liabilities when the fair value is negative.

# Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

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

### 3.2 Significant accounting policies (continued)

#### *Financial instruments (continued)*

##### **Financial assets held under resale agreements**

Financial assets that have been purchased under agreements with a commitment to resell at a specific future date are not recognised in the statement of financial position. The cost of purchasing such assets is presented under “financial assets held under resale agreements” in the consolidated statement of financial position.

##### **Offsetting a financial asset and a financial liability**

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

##### **Hedge accounting**

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

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

##### ***Assessment of hedging relationship and effectiveness***

For hedge effectiveness assessment, the Group considers whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

# Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

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

### 3.2 Significant accounting policies (continued)

#### *Financial instruments (continued)*

##### **Hedge accounting (continued)**

##### ***Assessment of hedging relationship and effectiveness (continued)***

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

In assessing the economic relationship between the hedged item and the hedging instrument, the Group assumes that the interest rate benchmark on which the hedged cash flows and/or the hedged risk (contractually or non-contractually specified) are based, or the interest rate benchmark on which the cash flows of the hedging instrument are based, is not altered as a result of interest rate benchmark reform.

##### ***Cash flow hedges***

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualified as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income. Furthermore, if the Group expects that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

##### ***Discontinuation of hedge accounting***

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

# Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

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

### 3.2 Significant accounting policies (continued)

#### *Financial instruments (continued)*

##### **Hedge accounting (continued)**

##### *Discontinuation of hedge accounting (continued)*

For cash flow hedge, any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transactions is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

##### **Cash and cash equivalents**

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and bank balances comprise cash on hand and at banks, including term deposits with original maturity of less than three months, which are not restricted as to use.

##### ***Revenue recognition***

The Group recognises revenue to depict the transfer of promised services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services. A 5-step approach to revenue recognition is applied:

- Step 1: Identify the contract (s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

# Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

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

### 3.2 Significant accounting policies (continued)

#### *Revenue recognition (continued)*

A performance obligation represents a service (or a bundle of services) that is distinct or a series of distinct services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct service.

A contract asset represents the Group's right to consideration in exchange for services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

The Group recognises revenue from the following major sources:

- (i) Finance lease income

The Group's accounting policy for recognition of revenue from finance leases is described in the accounting policy for leases above.

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

#### 3.2 Significant accounting policies (continued)

##### *Revenue recognition (continued)*

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

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

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a timely basis using the effective interest method, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

- (iii) Rental income from operating leases

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leases above.

- (iv) Service fee income

Service fee income is from contracts with customers and recognised at a point in time when the services are completed under the terms of each service engagement and the revenue can be measured reliably, since only by that time the Group has a present right to payment from the customers for the service performed.



# Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

## 4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3.2, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### *Critical judgments in applying accounting policies*

The following are the critical judgments, apart from those estimations involved (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

#### **Classification of leases**

The Group has entered into certain lease businesses whereby the Group has determined that it has transferred substantially all the risks and rewards incidental to ownership of the assets held for lease businesses to the lessees, as at the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset. Accordingly, the Group has excluded the assets held for lease businesses under finance lease from its consolidated statement of financial position and instead recognised finance lease receivables and receivables arising from sale and leaseback arrangements as disclosed in Notes 20 and 21. Otherwise the Group includes the assets held for lease businesses under operating lease in property and equipment. The determination of whether the Group has transferred substantially all the risks and rewards incidental to ownership depends on an assessment of the relevant arrangements relating to the lease, which involved critical judgments by management.

#### **Classification of financial assets**

Upon the initial recognition of financial assets, the Group needs to determine the classification of financial assets in accordance with IFRS 9. Since the subsequent measurement methods are different for various categories of financial assets, the classification of financial assets would have an impact on the Group's financial condition and operational results.

# Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

## 4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

### *Key sources of estimation uncertainty*

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

### **Impairment of finance lease receivables, receivables arising from sale and leaseback arrangements and loans and receivables**

The Group reviews its finance lease receivables, receivables arising from sale and leaseback arrangements and loans and receivables to assess impairment on a regular basis. The methodologies and assumptions used in estimating the ECL are reviewed regularly. The provision of ECL is sensitive to changes in estimates which involve high degree of judgment and uncertainty.

Following are the significant judgments and assumptions in estimating the ECL:

### *Significant increase in credit risk*

As explained in Note 3.2, ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased, the Group takes into account qualitative and quantitative reasonable and supportable forward looking information.

### *Models and assumptions used*

The Group uses various models and assumptions in estimating ECL, including Producer Price Index ("PPI") year on year percentage change, broad measure of money supply ("M2") year on year percentage change, Gross Domestic Product ("GDP") year on year percentage change and Consumer Price Index ("CPI") year on year percentage change. Judgment is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

### **Income taxes**

There are certain transactions and activities for which the ultimate tax determination is subject to the final approval of annual tax return the group entities file with relevant tax authorities. Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will impact the current income tax and deferred income tax in the period during which such a determination is made.

# Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

## 5. REVENUE AND SEGMENT INFORMATION

	2020 RMB'000	2019 RMB'000
Finance lease income (note i)	3,932,864	4,552,042
Interest income from sale and leaseback arrangements (note ii)	2,017,118	716,325
Operating lease income	464,433	433,634
Service fee income (note iii)	1,148,831	1,065,371
Factoring interest income (note ii)	312,109	306,216
Entrusted loan and other loan interest income (note ii)	39,671	71,347
<b>Total revenue</b>	<b>7,915,026</b>	<b>7,144,935</b>

notes:

- (i) The Group has no variable lease payments which is not included in the measurement of finance lease receivables for the year ended December 31, 2020 and 2019.
- (ii) The interest income from sale and leaseback arrangements, factoring interest income and entrusted loan and other loan interest income are all interest revenue calculated using the effective interest method.
- (iii) Service fee income is from contracts with customers and recognised at a point in time when the services are completed under the terms of each service agreement and the revenue can be measured reliably, since only by that time the Group has a present right to charge the customers for the service performed. The services are all for periods of one year or less. As permitted under IFRS 15, the transaction price allocated to the unsatisfied contracts is not disclosed.

### **Segment reporting**

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

### **Geographical information**

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

### **Information about major customers**

During the year ended December 31, 2020, there was no revenue from transactions with a single external customer amounting to 10% or more of the Group's total revenue (2019: nil).

## Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

### 6. NET INVESTMENT GAINS

	2020 RMB'000	2019 RMB'000
Net gains/(losses) arising from derivative financial instruments	3,033	(52,879)
Net gains arising from financial assets at fair value through profit or loss	31,222	56,634
Others	229	—
	<b>34,484</b>	<b>3,755</b>

### 7. OTHER INCOME, GAINS OR LOSSES

	2020 RMB'000	2019 RMB'000
Interest income from deposits with financial institutions	73,459	71,667
Interest income from financial assets held under resale agreements	42,692	76,726
Foreign exchange losses, net	(4,032)	(10,382)
Government grants (note i)	151,713	132,762
Losses on disposal of financial lease assets	(6,040)	(14,105)
Income from government outsourcing business (note ii)	330,266	—
Others	47,833	35,204
	<b>635,891</b>	<b>291,872</b>

notes:

- (i) Government grants primarily consist of fiscal support that local governments offer to enterprises in financial leasing industry, etc.
- (ii) During the year ended December 31, 2020, the Group has recognised relevant income from government outsourcing business and cost relating to government outsourcing business according to signed agreements, the cost refers to Note 11.

## Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

### 8. DEPRECIATION AND AMORTISATION

	2020	2019
	RMB'000	RMB'000
Depreciation of property and equipment	290,356	207,344
Depreciation of right-of-use assets	63,404	45,509
Amortisation of intangible assets	5,288	4,190
	<b>359,048</b>	<b>257,043</b>

### 9. STAFF COSTS

	2020	2019
	RMB'000	RMB'000
Salaries, bonus and allowances	479,150	422,978
Social welfare	86,363	111,413
Others	19,955	12,013
	<b>585,468</b>	<b>546,404</b>

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

## Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

### 10. INTEREST EXPENSES

	2020	2019
	RMB'000	RMB'000
Interest on liabilities:		
Bank and other borrowings	2,261,268	1,877,994
Bonds payables	1,405,427	1,446,807
Lease liabilities	9,404	6,458
	<b>3,676,099</b>	<b>3,331,259</b>

### 11. OTHER OPERATING EXPENSES

	2020	2019
	RMB'000	RMB'000
Cost relating to government outsourcing business (Note 7)	273,902	—
Advisory expenses	50,326	26,861
Business traveling expenses	44,696	51,721
Tax and surcharges	25,970	8,904
Communication expenses	16,057	11,524
Administrative expenses	12,338	8,927
Business development expenses	11,527	11,856
Bank charges	9,676	12,301
Short-term lease expenses	4,605	15,707
Property management expenses	16,300	5,825
Auditor's fee	3,473	3,102
Others	39,288	36,433
	<b>508,158</b>	<b>193,161</b>

Notes to the Consolidated Financial Statements  
for the Year Ended December 31, 2020

12. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL

	2020	2019
	RMB'000	RMB'000
Impairment loss recognised/(reversed) on:		
– finance lease receivables	1,266,219	739,086
– receivables arising from sale and leaseback arrangements	231,697	249,411
– loans and receivables	400,064	274,572
– accounts receivable	19,208	11,042
– financial assets held under resale agreements	(5,286)	(1,478)
– bank balances	14	(54)
– other assets	5,599	(227)
	<b>1,917,515</b>	<b>1,272,352</b>

## Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

### 13. INCOME TAX EXPENSES

	2020 RMB'000	2019 RMB'000
Current tax:		
PRC Enterprise Income Tax	811,575	721,131
Hong Kong Profit Tax	5,230	4,767
Other jurisdictions	148	171
Sub-total	816,953	726,069
Deferred tax	(444,730)	(279,856)
Total	372,223	446,213

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

The reconciliation between the income tax expense at the statutory tax rate of 25% and the effective tax rate is as follows:

	2020 RMB'000	2019 RMB'000
Profit before income tax	1,488,207	1,801,125
Tax at the statutory tax rate of 25%	372,052	450,281
Tax effect of expenses not deductible for tax purpose	5,053	31,194
Tax effect of income not taxable for tax purpose	(3,345)	(24,094)
Tax effect of share of loss or profit of a joint venture	7,942	(1,961)
Effect of different tax rates of subsidiaries	(9,479)	(9,207)
Income tax expense for the year	372,223	446,213



# Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

## 14. EARNINGS PER SHARE

	2020 RMB'000	2019 RMB'000
Earnings for the purpose of basic and diluted earnings per share:		
Profit for the year attributable to ordinary shareholders of the Company	1,065,289	1,266,487
Weighted average number of shares for basic earnings per share (in '000) (note)	8,235,300	7,717,489
Weighted average number of shares for diluted earnings per share (in '000)	N/A	7,717,489
Basic earnings per share (Expressed in RMB Yuan per share)	0.13	0.16
Diluted earnings per share (Expressed in RMB Yuan per share)	N/A	0.16

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.

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

## 15. DIVIDENDS

Subsequent to the end of the reporting period, based on 8,235,300,000 ordinary shares, the Board of Directors of the Company declared a cash dividend of RMB0.15 per 10 shares (tax inclusive) in respect of the year ended December 31, 2020 (the final dividend), in an aggregate amount of RMB123,529,500.00, which is subject to approval by the shareholders in the 2020 annual general meeting to be held by the Company (2019 final dividend: RMB362,353,200.00).

The interim cash dividend in respect of the six months ended June 30, 2020 was RMB0.38 per 10 shares (tax inclusive), in an aggregate amount of RMB312,941,400.00 (2019 interim dividend: RMB411,765,000.00).

## Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

### 16. PROPERTY AND EQUIPMENT

	2020 RMB'000	2019 RMB'000
Equipment held for operating lease business	5,684,346	4,547,076
Property and equipment held for administrative purpose	1,469,859	182,972
<b>Total</b>	<b>7,154,205</b>	<b>4,730,048</b>

As at December 31, 2020, the net carrying amount of the Group's property and equipment pledged as collateral for the Group's bank borrowings amounted to RMB6,699,427 thousand (as at December 31, 2019: RMB4,255,379 thousand).

#### 16a. Equipment held for operating lease business

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

# Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

## 16. PROPERTY AND EQUIPMENT (CONTINUED)

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

	Aircraft RMB'000
<b>Cost</b>	
As at December 31, 2018	4,284,375
Additions	486,888
Exchange differences	90,198
As at December 31, 2019	4,861,461
<b>Accumulated depreciation</b>	
As at December 31, 2018	116,967
Charge for the year	193,460
Exchange differences	3,958
As at December 31, 2019	314,385
<b>Net carrying amount</b>	
As at December 31, 2018	4,167,408
As at December 31, 2019	4,547,076

## Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

### 16. PROPERTY AND EQUIPMENT (CONTINUED)

#### 16b. Property and equipment held for administrative purpose

	Motor vehicles RMB'000	Electronic equipment RMB'000	Office equipment RMB'000	Leasehold land and buildings RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
<b>Cost</b>							
As at December 31, 2019	6,079	21,963	6,738	94,255	30,210	72,268	231,513
Additions	236	3,072	5,848	1,249,915	28,220	45,570	1,332,861
Acquired through acquisition of a subsidiary	419	235	287	—	146	—	1,087
Transfer	—	9	320	38,179	63,236	(101,744)	—
Disposals	—	(36)	(1,015)	—	(12,352)	—	(13,403)
Exchange differences	—	(9)	(4)	—	(20)	—	(33)
As at December 31, 2020	6,734	25,234	12,174	1,382,349	109,440	16,094	1,552,025
<b>Accumulated depreciation</b>							
As at December 31, 2019	2,046	14,736	4,313	2,268	25,178	—	48,541
Charge for the year	909	3,814	1,435	20,382	20,211	—	46,751
Eliminated on disposals	—	(25)	(734)	—	(12,352)	—	(13,111)
Exchange differences	—	(4)	(2)	—	(9)	—	(15)
As at December 31, 2020	2,955	18,521	5,012	22,650	33,028	—	82,166
<b>Net carrying amount</b>							
As at December 31, 2019	4,033	7,227	2,425	91,987	5,032	72,268	182,972
As at December 31, 2020	3,779	6,713	7,162	1,359,699	76,412	16,094	1,469,859

	Motor vehicles RMB'000	Electronic equipment RMB'000	Office equipment RMB'000	Leasehold land and buildings RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
<b>Cost</b>							
As at December 31, 2018	5,112	18,723	6,392	18,550	30,521	7,057	86,355
Additions	1,379	3,235	374	75,705	660	65,960	147,313
Transfer	—	3	10	—	736	(749)	—
Disposals	(412)	(1)	(39)	—	(1,714)	—	(2,166)
Exchange differences	—	3	1	—	7	—	11
As at December 31, 2019	6,079	21,963	6,738	94,255	30,210	72,268	231,513
<b>Accumulated depreciation</b>							
As at December 31, 2018	1,737	11,037	3,224	965	19,372	—	36,335
Charge for the year	700	3,698	1,112	1,303	7,071	—	13,884
Eliminated on disposals	(391)	—	(23)	—	(1,267)	—	(1,681)
Exchange differences	—	1	—	—	2	—	3
As at December 31, 2019	2,046	14,736	4,313	2,268	25,178	—	48,541
<b>Net carrying amount</b>							
As at December 31, 2018	3,375	7,686	3,168	17,585	11,149	7,057	50,020
As at December 31, 2019	4,033	7,227	2,425	91,987	5,032	72,268	182,972

# Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

## 17. RIGHT-OF-USE ASSETS

	Land and buildings RMB'000	Others RMB'000	Total RMB'000
<b>Cost</b>			
As at December 31, 2019	253,656	243	253,899
Additions	42,489	26	42,515
Acquired through acquisition of a subsidiary	7,026	—	7,026
Disposals	(46,879)	(18)	(46,897)
Exchange differences	(484)	—	(484)
As at December 31, 2020	255,808	251	256,059
<b>Accumulated depreciation</b>			
As at December 31, 2019	68,075	104	68,179
Charge for the year	63,349	55	63,404
Eliminated on disposals	(40,320)	(17)	(40,337)
Exchange differences	(223)	—	(223)
As at December 31, 2020	90,881	142	91,023
<b>Net carrying amount</b>			
As at December 31, 2019	185,581	139	185,720
As at December 31, 2020	164,927	109	165,036
<b>Cost</b>			
As at January 1, 2019	53,394	216	53,610
Additions	200,534	27	200,561
Disposals	(272)	—	(272)
As at December 31, 2019	253,656	243	253,899
<b>Accumulated depreciation</b>			
As at January 1, 2019	22,717	55	22,772
Charge for the year	45,460	49	45,509
Eliminated on disposals	(102)	—	(102)
As at December 31, 2019	68,075	104	68,179
<b>Net carrying amount</b>			
As at January 1, 2019	30,677	161	30,838
As at December 31, 2019	185,581	139	185,720

# Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

## 17. RIGHT-OF-USE ASSETS (CONTINUED)

The Group leases various land and buildings, vehicle and parking space for its operations. Lease contracts are entered into for term of 24 months to 74 months. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

For the year ended December 31, 2020, expense relating to short-term leases amounted to RMB4,605 thousand. For the year ended December 31, 2019, expense relating to short-term leases and other leases with lease terms end within 12 months of the date of initial application of IFRS 16 amounted to RMB15,707 thousand. For the year ended December 31, 2020 and 2019, no expense was related to leases of low-value assets excluding short-term leases of low value assets.

As at December 31, 2020 and 2019, the portfolio of short-term leases was similar to the portfolio of short-term leases to which the short-term lease expense disclosed in Note 11.

For the year ended December 31, 2020, total cash outflow for leases amounted to RMB78,003 thousand (2019: RMB63,349 thousand).

In addition, lease liabilities of RMB171,786 thousand were recognised as at December 31, 2020 (as at December 31, 2019: RMB189,040 thousand) (Note 30). For the year ended December 31, 2020, the interest expenses of lease liabilities amounted to RMB9,404 thousand (2019: RMB6,458 thousand) (Note 10). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

As at December 31, 2020 and 2019, the Group did not enter into any lease that was not yet commenced.

## 18. INTANGIBLE ASSETS

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

# Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

## 18. INTANGIBLE ASSETS (CONTINUED)

	Computer software and others RMB'000
<b>Cost</b>	
As at December 31, 2018	28,683
Additions	5,622
As at December 31, 2019	34,305
<b>Accumulated amortisation</b>	
As at December 31, 2018	14,341
Charge for the year	4,190
As at December 31, 2019	18,531
<b>Carrying amount</b>	
As at December 31, 2018	14,342
As at December 31, 2019	15,774

## 19. INTEREST IN A JOINT VENTURE

	2020/12/31 RMB'000	2019/12/31 RMB'000
The Group's share of loss or profit from the joint venture's continuing operations	(40,339)	8,419
Exchange difference	(37,474)	(3,191)
The carrying amount of 25% shares of net assets through the acquisition of Haitong UT Holding Limited (note i)	—	459,863
Transfer out of carrying amount of net assets in the business combination (note ii)	(633,076)	—
Aggregate carrying amount of the Group's interests in a joint venture	—	710,889

# Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

## 19. INTEREST IN A JOINT VENTURE (CONTINUED)

Details of the Group's joint venture are as follows:

Name of entity	Country of incorporation	Principal place of business	Proportion of ownership interest held by group		Principal activity
			2020	2019	
Gui'an UT Financial Leasing (Shanghai) Co., Ltd. ("Gui'an UT") (貴安恒信融資租賃(上海)有限公司) (貴安恒信) (note ii)	PRC	PRC	100%	40%	Leasing

notes:

- (i) The Group acquired 25% shares of the Joint Venture through the acquisition of Haitong UT Holding Limited in 2019. After the acquisition, the Group held 40% interest of Gui'an UT as at December 31, 2019.
- (ii) In September, 2020, the Company entered into agreements with Guizhou Gui'an Financial Investment Co., Ltd. ("Gui'an Financial Investment") to further acquire 60% shares of Gui'an UT (currently known as Haitong UT MSE Financial Leasing (Shanghai) Co., Ltd (海通恒信小微融資租賃(上海)有限公司)). After the acquisition, Gui'an UT became a subsidiary of the Company subsequently. Refer to Note 52 for details.



# Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

## 20. FINANCE LEASE RECEIVABLES

	2020/12/31 RMB'000	2019/12/31 RMB'000
Minimum finance lease receivables		
— Within one year	31,181,156	31,614,990
— In the second year	16,998,643	18,316,347
— In the third year	5,451,619	7,717,572
— In the fourth year	480,912	1,102,009
— In the fifth year	295,766	196,705
— After five years	501,855	401,150
Gross amount of finance lease receivables	54,909,951	59,348,773
Less: Unearned finance lease income	(4,980,779)	(4,984,413)
Present value of minimum finance lease receivables	49,929,172	54,364,360
Less: Loss allowance	(1,517,769)	(1,422,717)
Carrying amount of finance lease receivables	48,411,403	52,941,643
Present value of minimum finance lease receivables		
— Within one year	28,544,638	28,957,576
— In the second year	15,457,681	16,798,678
— In the third year	4,861,631	7,064,671
— In the fourth year	397,837	1,017,695
— In the fifth year	249,560	186,959
— After five years	417,825	338,781
Total	49,929,172	54,364,360
Analysed as:		
Current	27,660,127	28,155,387
Non-current	20,751,276	24,786,256
Total	48,411,403	52,941,643

## Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

### 20. FINANCE LEASE RECEIVABLES (CONTINUED)

The Group entered into finance lease arrangements with leased assets for certain machinery equipment for infrastructure, transportation and logistics industries, etc. Substantially all finance lease of the Company and its subsidiaries are denominated in RMB. The terms of finance leases entered into range from one to ten years.

As at December 31, 2020, the Group's finance lease receivables pledged as collateral for the Group's bank and other financial institutions borrowings amounted to RMB3,588,312 thousand (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 market. The floating interest rates of finance lease receivables were adjusted periodically with reference to the benchmark interest rate of the market.

Movements of loss allowance for 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
<b>As at December 31, 2019</b>	809,239	427,389	186,089	1,422,717
Changes in the loss allowance:				
– Transfer to Stage 1	8,182	(6,517)	(1,665)	–
– Transfer to Stage 2	(48,030)	48,328	(298)	–
– Transfer to Stage 3	(39,849)	(260,099)	299,948	–
– Recovery of finance lease receivables previously written off	–	–	72,971	72,971
– Write-offs	–	–	(499,948)	(499,948)
– Other derecognition	–	–	(744,190)	(744,190)
– (Credit)/charge to profit or loss	(22,429)	220,206	1,068,442	1,266,219
<b>As at December 31, 2020</b>	<b>707,113</b>	<b>429,307</b>	<b>381,349</b>	<b>1,517,769</b>

## Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

### 20. FINANCE LEASE RECEIVABLES (CONTINUED)

	Stage 1 12-months ECL RMB'000	Stage 2 Lifetime ECL not credit-impaired RMB'000	Stage 3 Lifetime ECL credit-impaired RMB'000	Total RMB'000
<b>As at December 31, 2018</b>	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
<b>As at December 31, 2019</b>	809,239	427,389	186,089	1,422,717

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
<b>As at December 31, 2020</b>	46,916,654	2,177,676	834,842	49,929,172
<b>As at December 31, 2019</b>	52,243,091	1,675,580	445,689	54,364,360

In 2020, the amount of the Group's finance lease receivables at stage 1 decreased, and the amount of the loss allowances of this stage decreased accordingly. The increase in the amount of the Group's finance lease receivables at stage 3 was mainly due to the transfer from stage 2, and the amount of loss allowances in stage 3 increased.

Since the application of IFRS 16 on January 1, 2019, receivables from sale and leaseback transactions newly entered into on or after January 1, 2019 which do not satisfy the requirements of IFRS 15 as a sale are reclassified from finance lease receivables to receivables arising from sale and leaseback arrangements. The amount of loss allowances for finance lease receivables at stage 1 decreased accordingly in 2019.

## Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

### 21. RECEIVABLES ARISING FROM SALE AND LEASEBACK ARRANGEMENTS

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

	2020/12/31 RMB'000	2019/12/31 RMB'000
— Within one year	16,834,046	9,922,821
— In the second year	11,662,335	7,783,770
— In the third year	6,632,982	3,995,867
— In the fourth year	3,127,211	1,851,864
— In the fifth year	1,009,281	1,203,216
— After five years	43,031	—
Gross amount of receivables arising from sale and leaseback arrangements	39,308,886	24,757,538
Less: Interest adjustment	(3,617,226)	(2,564,435)
Present value of receivables arising from sale and leaseback arrangements	35,691,660	22,193,103
Less: Loss allowance	(477,184)	(249,411)
Carrying amount of receivables arising from sale and leaseback arrangements	35,214,476	21,943,692
Present value of receivables arising from sale and leaseback arrangements:		
— Within one year	15,285,831	8,894,996
— In the second year	10,589,223	6,977,512
— In the third year	6,022,041	3,581,967
— In the fourth year	2,839,184	1,660,044
— In the fifth year	916,313	1,078,584
— After five years	39,068	—
Total	35,691,660	22,193,103
Analysed as:		
Current	15,082,174	8,795,032
Non-current	20,132,302	13,148,660
Total	35,214,476	21,943,692

As at December 31, 2020, the Group's receivables arising from sale and leaseback arrangements pledged as collateral for the Group's bank and other financial institutions borrowings amounted to RMB9,757,835 thousand (as at December 31, 2019: RMB4,977,336 thousand).

## Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

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

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

	Stage 1 12-months ECL RMB'000	Stage 2 Lifetime ECL not credit-impaired RMB'000	Stage 3 Lifetime ECL credit-impaired RMB'000	Total RMB'000
<b>As at December 31, 2019</b>	240,109	8,252	1,050	249,411
Changes in the loss allowance:				
– Transfer to Stage 1	326	–	(326)	–
– Transfer to Stage 2	(1,706)	1,706	–	–
– Transfer to Stage 3	(1,078)	(1,023)	2,101	–
– Write-offs	–	–	(3,924)	(3,924)
– Charge to profit or loss	217,916	2,193	11,588	231,697
<b>As at December 31, 2020</b>	455,567	11,128	10,489	477,184

	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
<b>As at January 1, 2019</b>	–	–	–	–
Changes in the loss allowance:				
– Charge to profit or loss	240,109	8,252	1,050	249,411
<b>As at December 31, 2019</b>	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
<b>As at December 31, 2020</b>	35,612,607	57,604	21,449	35,691,660
<b>As at December 31, 2019</b>	22,156,131	34,461	2,511	22,193,103

## Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

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

In 2020, the amount of the Group's receivables arising from sale and leaseback arrangements at stage 1 increased, and the amount of the loss allowances of this stage increased accordingly.

### 22. LOANS AND RECEIVABLES

	2020/12/31 RMB'000	2019/12/31 RMB'000
Factoring receivables	7,480,392	7,675,554
Entrusted loans and other loans	793,929	1,181,445
Subtotal of loans and receivables	8,274,321	8,856,999
Less: Loss allowance for factoring receivables	(522,613)	(717,389)
Loss allowance for entrusted loans and other loans	(121,618)	(54,958)
Total	7,630,090	8,084,652
Analysed as:		
Current	6,380,913	5,345,915
Non-current	1,249,177	2,738,737
Total	7,630,090	8,084,652

# Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

## 22. LOANS AND RECEIVABLES (CONTINUED)

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

	2020/12/31 RMB'000	2019/12/31 RMB'000
Within one year	6,973,570	5,398,790
More than one year but not exceeding five years	1,148,934	2,928,399
More than five years	75,789	163,204
Gross amount of factoring receivables	8,198,293	8,490,393
Less: Interest adjustment	(717,901)	(814,839)
Present value of factoring receivables	7,480,392	7,675,554
Less: Loss allowance	(522,613)	(717,389)
Carrying amount of factoring receivables	6,957,779	6,958,165
Present value of factoring receivables:		
– Within one year	6,361,611	4,880,474
– More than one year but not exceeding five years	1,049,657	2,647,600
– More than five years	69,124	147,480
Total	7,480,392	7,675,554

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

	2020/12/31 RMB'000	2019/12/31 RMB'000
Within one year	571,688	969,958
More than one year but not exceeding five years	222,154	204,591
More than five years	87	6,896
Present value of entrusted loans and other loans	793,929	1,181,445
Less: Loss allowance	(121,618)	(54,958)
Carrying amount of entrusted loans and other loans	672,311	1,126,487

Notes to the Consolidated Financial Statements  
for the Year Ended December 31, 2020

## 22. LOANS AND RECEIVABLES (CONTINUED)

### 22c. Movements of loss allowance for loans and receivables:

	Stage 1 12-months ECL RMB'000	Stage 2 Lifetime ECL not credit-impaired RMB'000	Stage 3 Lifetime ECL credit-impaired RMB'000	Total RMB'000
<b>As at December 31, 2019</b>	144,910	423,588	203,849	772,347
Changes in the loss allowance:				
— Transfer to Stage 2	(10,697)	10,697	—	—
— Transfer to Stage 3	(19,328)	(140,276)	159,604	—
— Other derecognition	—	—	(527,490)	(527,490)
— Charge to profit or loss	19,473	92,646	287,945	400,064
— Exchange differences	(690)	—	—	(690)
<b>As at December 31, 2020</b>	133,668	386,655	123,908	644,231

	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
<b>As at December 31, 2018</b>	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	425	—	—	425
<b>As at December 31, 2019</b>	144,910	423,588	203,849	772,347



# Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

## 22. LOANS AND RECEIVABLES (CONTINUED)

22d. Analysis of loans and receivables balances:

	Stage 1 12-months ECL RMB'000	Stage 2 Lifetime ECL not credit-impaired RMB'000	Stage 3 Lifetime ECL credit-impaired RMB'000	Total RMB'000
As at December 31, 2020	6,799,362	1,296,918	178,041	8,274,321
As at December 31, 2019	6,843,637	1,539,777	473,585	8,856,999

## 23. DEFERRED TAXATION

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

	2020/12/31 RMB'000	2019/12/31 RMB'000
Deferred tax assets	1,540,986	1,006,941
Deferred tax liabilities	(18,295)	(10,808)
	1,522,691	996,133

## Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

### 23. DEFERRED TAXATION (CONTINUED)

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

	Loss allowance RMB'000	Changes in fair value of derivatives RMB'000	Changes in fair value of financial assets at fair value through profit and loss RMB'000	Deductible tax losses RMB'000	Accelerated depreciation RMB'000	Others RMB'000	Total 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
Exchange differences	3	12	—	565	(664)	—	(84)
As at December 31, 2019	1,003,084	572	(5,017)	43,241	(46,413)	666	996,133
Credit/(charge) to profit or loss	431,474	153	(2,238)	19,502	(18,763)	14,602	444,730
Charge to other comprehensive income	—	(199)	—	—	—	—	(199)
Acquired through acquisition of a subsidiary	81,978	—	—	—	—	—	81,978
Exchange differences	(9)	(106)	—	(3,900)	4,111	(47)	49
As at December 31, 2020	1,516,527	420	(7,255)	58,843	(61,065)	15,221	1,522,691

# Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

## 24. OTHER ASSETS

### Non-current

	2020/12/31	2019/12/31
	RMB'000	RMB'000
Repossession of finance lease assets	191,151	111,680
Prepayments on acquisition of property and equipment and intangible assets	5,991	290,486
Long-term receivables from government cooperation projects (note)	463,302	75,277
Foreclosed assets	83,384	59,568
Assets with continuing involvement	60,338	—
Junior tranches of asset-backed securities	62,132	—
Deposits	20,805	9,032
Others	76,509	—
Sub-total	963,612	546,043
Less: Loss allowance	(19,069)	(7,186)
Total	944,543	538,857

note: The Group provides financing services to local government-led infrastructure development and operation project participants through the public-private partnership model ("PPP Model"). The receivables from government generated from PPP Model is recognised in long-term receivables from government cooperation projects and project payables is recognised in government cooperation project payables, refer to Note 34.

## Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

### 24. OTHER ASSETS (CONTINUED)

#### Current

	2020/12/31 RMB'000	2019/12/31 RMB'000
Government project deposits	—	150,200
Value-added tax (“VAT”) credit and others	297,578	133,043
Properties under development	290,079	496,185
Completed properties for sale	230,175	—
Prepayments	81,782	88,801
Deposits	11,909	13,128
Others	40,800	40,881
<b>Sub-total</b>	<b>952,323</b>	<b>922,238</b>
Less: Loss allowance	(58)	(816)
<b>Total</b>	<b>952,265</b>	<b>921,422</b>

Movement of loss allowance for other assets are as follows:

	2020/12/31 RMB'000	2019/12/31 RMB'000
At beginning of the year	8,002	5,339
Charged to profit or loss (note)	16,166	15,959
Derecognition	(5,041)	(13,294)
Exchange differences	—	(2)
<b>At end of the year</b>	<b>19,127</b>	<b>8,002</b>

note: The loss allowance for other assets charged for the year ended December 31, 2020 including impairment losses under expected credit loss model amounted to RMB5,599 thousand (refer to Note 12) and other impairment losses amounted to RMB10,567 thousand (2019: RMB(227) thousand and RMB16,186 thousand).

# Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

## 25. ACCOUNTS RECEIVABLE

	2020/12/31	2019/12/31
	RMB'000	RMB'000
Accounts receivable from:		
– settlement of finance lease receivable	37,142	27,803
– operating lease	30,085	–
– others	4,016	4,016
Sub-total	71,243	31,819
Less: Loss allowance	(34,330)	(15,137)
Total	36,913	16,682

Analysed by aging as:

	2020/12/31	2019/12/31
	RMB'000	RMB'000
Within one year	36,913	–
More than one year but not exceeding three years	–	16,682
Total	36,913	16,682

Movement of loss allowance for accounts receivable are as follows:

	2020/12/31	2019/12/31
	RMB'000	RMB'000
At beginning of the year	15,137	4,251
Charged to profit or loss	19,208	11,042
Write-offs	–	(155)
Exchange differences	(15)	(1)
At end of the year	34,330	15,137

## Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

### 26. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

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

### 27. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020/12/31 RMB'000	2019/12/31 RMB'000
Measured at fair value:		
Funds (note)	260,841	835,989
Wealth management products	30,006	—
Equity instruments	447,810	35,921
Structured deposits	—	340,125
Asset management schemes and trust plans	160,543	75,949
Total	899,200	1,287,984
Analysed as:		
Unlisted	517,311	1,287,984
Listed	381,889	—
Analysed as:		
Current	572,915	1,252,063
Non-current	326,285	35,921
Total	899,200	1,287,984

note: As at December 31, 2020, funds amounting to RMB100,000 thousand were managed by HFT Investment Management Co., Ltd. (December 31, 2019: RMB601,633 thousand). For the year ended December 31, 2020, net gains from the above funds amounted to RMB2,490 thousand (2019: RMB14,951 thousand).

# Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

## 28. DERIVATIVE FINANCIAL INSTRUMENTS

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

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

As at December 31, 2020, fixed interest rates for USD IRS ranged from 1.3700% to 4.3650% (December 31, 2019: from 3.4900% to 4.3650%).

As at December 31, 2020, currency forwards with forward exchange rates of buying USD and selling RMB ranged from 6.7910 to 7.3891 (December 31, 2019: from 6.9655 to 7.1854).

As at December 31, 2020, cross currency interest rate swaps with fixed interest rates for USD IRS ranged from 2.5600% to 4.2300% (December 31, 2019: from 3.6000% to 4.6545%) and with forward exchange rates of buying USD and selling RMB ranged from 6.5830 to 7.1839 (December 31, 2019: from 6.7350 to 6.9110).

### Cash flow hedge

During the year ended December 31, 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 year ended December 31, 2020, the Group's net loss from the cash flow hedge of RMB74,695 thousand was recognised in other comprehensive income (year ended December 31, 2019: net gains of RMB2,502 thousand).

## Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

### 29. CASH AND BANK BALANCES

	2020/12/31 RMB'000	2019/12/31 RMB'000
Restricted bank deposits (note)	606,032	405,719
Cash and bank balances	4,570,959	5,053,127
Less: Loss allowance	(23)	(8)
<b>Total</b>	<b>5,176,968</b>	<b>5,458,838</b>

note: This represents deposits held by the Group that were pledged mainly relating to bank acceptance bill, borrowings and aircraft maintenance funds as at December 31, 2020 and 2019, and were restricted for use.

### 30. BORROWINGS

	2020/12/31 RMB'000	2019/12/31 RMB'000
Bank borrowings	39,164,708	34,416,672
Borrowings from related parties	1,840,244	1,161,537
Other financial institutions borrowings	2,824,836	1,990,000
Lease liabilities	171,786	189,040
<b>Total</b>	<b>44,001,574</b>	<b>37,757,249</b>
Analysed as:		
Current	22,205,176	19,660,876
Non-current	21,796,398	18,096,373
<b>Total</b>	<b>44,001,574</b>	<b>37,757,249</b>



# Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

## 30. BORROWINGS (CONTINUED)

### 30a. Bank borrowings

	2020/12/31 RMB'000	2019/12/31 RMB'000
Secured borrowings	13,321,097	11,943,954
Unsecured and unguaranteed borrowings	25,843,611	22,472,718
<b>Total</b>	<b>39,164,708</b>	<b>34,416,672</b>
Analysed as:		
Current	20,255,373	18,192,371
Non-current	18,909,335	16,224,301
<b>Total</b>	<b>39,164,708</b>	<b>34,416,672</b>
	2020/12/31 RMB'000	2019/12/31 RMB'000
Carrying amount repayable:		
Within one year	20,255,373	18,192,371
More than one year but not exceeding two years	10,370,930	9,253,585
More than two years but not exceeding five years	7,948,646	5,815,956
More than five years	589,759	1,154,760
<b>Total</b>	<b>39,164,708</b>	<b>34,416,672</b>

The secured borrowings were pledged by finance lease receivables, receivables arising from sale and leaseback arrangements and bank deposits. Certain secured borrowings were also mortgaged by property and equipment and the Company's equity interests in subsidiaries. Refer to Notes 16, 20, 21 and 29 for details.

# Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

## 30. BORROWINGS (CONTINUED)

### 30a. Bank borrowings (continued)

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

	2020/12/31	2019/12/31
Contractual interest rate:		
Fixed-rate borrowings	2.3375%–5.45%	4.09%–5.45%
Floating-rate borrowings	<b>The People's Bank Of China ("PBOC") lending Rate</b> *100%–112% <b>London Inter Bank Offered Rate ("LIBOR")</b> Plus 0.92%–1.55% <b>Loan Prime Rate ("LPR") Plus</b> -1.25%–1.47%	PBOC lending Rate *90%–122% LIBOR Plus 0.70%–1.75% LPR Plus 0.075%–0.98%

### 30b. Borrowings from related parties

	2020/12/31 RMB'000	2019/12/31 RMB'000
Carrying amount repayable:		
Within one year	776,686	927,835
More than two years but not exceeding five years	1,063,558	233,702
<b>Total</b>	<b>1,840,244</b>	<b>1,161,537</b>

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

# Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

## 30. BORROWINGS (CONTINUED)

### 30c. Other financial institutions borrowings

	2020/12/31 RMB'000	2019/12/31 RMB'000
Secured borrowings	1,325,336	490,000
Unsecured and unguaranteed borrowings	1,499,500	1,500,000
<b>Total</b>	<b>2,824,836</b>	<b>1,990,000</b>
Analysed as:		
Current	1,111,667	490,500
Non-current	1,713,169	1,499,500
<b>Total</b>	<b>2,824,836</b>	<b>1,990,000</b>

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

	2020/12/31 RMB'000	2019/12/31 RMB'000
Carrying amount repayable:		
Within one year	1,111,667	490,500
More than one year but not exceeding two years	1,713,169	1,000
More than two years but not exceeding five years	—	1,498,500
<b>Total</b>	<b>2,824,836</b>	<b>1,990,000</b>

As at December 31, 2020 and 2019, the effective interest rate per annum of the borrowings from other financial institutions ranged from 4.10% to 5.45% and from 5.00% to 5.45%, respectively.

## Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

### 30. BORROWINGS (CONTINUED)

#### 30d. Lease liabilities

	2020/12/31 RMB'000	2019/12/31 RMB'000
Carrying amount repayable:		
Within one year	61,450	50,170
More than one year but not exceeding two years	52,842	47,520
More than two years but not exceeding five years	57,494	91,350
<b>Total</b>	<b>171,786</b>	<b>189,040</b>
Amount due for settlement within 12 months shown under current liabilities	61,450	50,170
Amount due for settlement after 12 months shown under non-current liabilities	110,336	138,870

### 31. ACCRUED STAFF COSTS

	2020/12/31 RMB'000	2019/12/31 RMB'000
Salaries, bonus and allowances	217,571	175,986
<b>Total</b>	<b>217,571</b>	<b>175,986</b>

# Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

## 32. ACCOUNTS PAYABLE

	2020/12/31 RMB'000	2019/12/31 RMB'000
Payable for acquisition of leasing equipment and factoring	30,118	279,399
Analysed by aging as:		
Within 60 days	6,947	229,069
More than 91 days	23,171	50,330
Total	30,118	279,399

## 33. BONDS PAYABLE

	2020/12/31 RMB'000	2019/12/31 RMB'000
Analysed as:		
Current	18,408,850	20,114,151
Non-current	13,951,119	11,332,791
Total	32,359,969	31,446,942

# Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

## 33. BONDS PAYABLE (CONTINUED)

### 33a. Bonds payable analysed by nature

	2020/12/31 RMB'000	2019/12/31 RMB'000
Short-term commercial papers (note i)	499,168	998,802
Ultra-short-term commercial papers (note ii)	4,998,405	4,496,274
Asset-backed securities (note iii)	9,905,706	10,535,967
Fixed medium-term notes (note iv)	3,768,461	2,270,467
Corporate bonds (note v)	7,865,712	4,687,955
Private placement notes (note vi)	4,591,182	5,981,986
Asset-backed notes (note vii)	731,335	2,475,491
<b>Total</b>	<b>32,359,969</b>	<b>31,446,942</b>

notes:

(i): Short-term commercial papers

Issue Date	Outstanding principal amount RMB'million	Coupon rate	Term
November 25, 2020	500	4.17%	1 year

(ii): Ultra-short-term commercial papers

Issue Date	Outstanding principal amount RMB'million	Coupon rate	Term
July 14, 2020	1,000	1.73%	6 months
August 5, 2020	1,000	1.85%	6 months
August 26, 2020	500	1.85%	5 months
September 17, 2020	500	2.40%	9 months
October 28, 2020	1,000	1.95%	4 months
December 2, 2020	1,000	3.05%	5 months

# Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

## 33. BONDS PAYABLE (CONTINUED)

### 33a. Bonds payable analysed by nature (continued)

notes: (continued)

(iii): Asset-backed securities

Issue Date	Outstanding principal amount RMB <sup>1</sup> million	Coupon rate (note)	Term
February 27, 2019	Senior: 174 Junior: 80	Senior: 5.00%	Senior:34 months; Junior:37 months
April 16, 2019	Senior: 156 Junior: 80	Senior: 4.40%	Senior: 30 months; Junior: 36 months
May 31, 2019	Senior: 66 Junior: 50	Senior: 4.34%	Senior: 20 months; Junior: 36 months
June 14, 2019	Senior: 348 Junior: 80	Senior: 4.30% and 4.50%	Senior: 33 months; Junior: 36 months
August 8, 2019	Senior: 142 Junior: 50	Senior: 4.80%	Senior: 21 months; Junior: 36 months
August 27, 2019	Senior: 347 Junior: 74	Senior: 4.40% and 4.45%	Senior: 32 months; Junior: 35 months
October 31, 2019	Senior: 252 Junior: 50	Senior: 4.20% and 4.60%	Senior:32 months; Junior:35 months
December 24, 2019	Senior: 384 Junior: 50	Senior: 4.35% and 4.60%	Senior:33 months; Junior:36 months
December 26, 2019	Senior: 243 Junior: 50	Senior: 4.60%	Senior:20 months; Junior:56 months
March 24, 2020	Senior: 394 Junior: 50	Senior: 3.60% and 3.65%	Senior:20 months; Junior:44 months
April 7, 2020	Senior: 190 Junior: 10	Senior: 5.00%	Senior:3 years+3 years; Junior:3 years+3 years
April 15, 2020	Senior: 517 Junior: 50	Senior: 2.95% and 3.40%	Senior:34 months; Junior:34 months
May 28, 2020	Senior: 590 Junior: 46	Senior: 2.43%, 2.84% and 3.40%	Senior:26 months; Junior:26 months
June 17, 2020	Senior: 671 Junior: 50	Senior: 3.25%, 3.60% and 3.70%	Senior:33 months; Junior:36 months
June 19, 2020	Senior: 595 Junior: 50	Senior: 3.14%, 3.54% and 3.80%	Senior:20 months; Junior:41 months
July 28, 2020	Senior: 726 Junior: 50	Senior: 3.50%, 3.85% and 4.10%	Senior:35 months; Junior:35 months
August 11, 2020	Senior: 713 Junior: 50	Senior: 3.49%, 3.68% and 3.99%	Senior:21 months; Junior:49 months
September 9, 2020	Senior: 791 Junior: 50	Senior: 3.45%, 4.00% and 4.20%	Senior:32 months; Junior:35 months
October 22, 2020	Senior: 776 Junior: 50	Senior: 3.69%, 4.00% and 4.30%	Senior: 33 months; Junior: 33 months
November 24, 2020	Senior: 950 Junior: 50	Senior: 3.98%,4.15% and 4.30%	Senior: 21 months; Junior: 33 months
December 9, 2020	Senior: 950 Junior: 50	Senior: 4.17%, 4.24% and 4.30%	Senior: 32 months; Junior: 36 months

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

# Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

## 33. BONDS PAYABLE (CONTINUED)

### 33a. Bonds payable analysed by nature (continued)

notes: (continued)

(iv): Fixed medium-term notes

Issue Date	Outstanding principal amount RMB'million	Coupon rate	Term
June 3, 2016	185	4.07%	5 years (3+2)
July 13, 2016	290	4.10%	5 years (3+2)
March 20, 2018	1,000	5.77%	3 years
April 24, 2018	800	5.23%	3 years
August 27, 2020	500	4.20%	3 years
November 4, 2020	1,000	3.97%	2 years

(v): Corporate bonds

Issue Date	Outstanding principal amount RMB'million	Coupon rate	Term
September 20, 2018	800	5.05%	3 years
October 24, 2018	400	4.85%	3 years
February 26, 2019	500	5.20%	3 years
July 22, 2019	500	4.83%	3 years
May 7, 2020	1,000	3.50%	3 years
June 18, 2020	700	3.95%	2 years
July 24, 2020	1,200	4.00%	3 years
September 8, 2020	1,000	4.40%	2 years
September 15, 2020	1,000	4.20%	3 years
October 28, 2020	800	4.15%	3 years

(vi): Private placement notes

Issue Date	Outstanding principal amount RMB'million	Coupon rate	Term
February 7, 2018	600	6.35%	3 years
June 13, 2018	500	6.50%	3 years
November 27, 2018	800	5.20%	3 years
April 18, 2019	300	4.65%	3 years
May 29, 2019	1,000	4.70%	3 years
December 2, 2019	1,400	4.50%	3 years

(vii): Asset-backed notes

Issue Date	Outstanding principal amount RMB'million	Coupon rate (note)	Term
December 21, 2018	Senior: 82 Junior: 50	Senior: 5.90%	Senior: 33 months; Junior: 35 months
November 11, 2019	Senior: 175 Junior: 50	Senior: 4.10% and 4.57%	Senior: 29 months; Junior: 32 months
March 23, 2020	Senior: 479 Junior: 50	Senior: 3.10% and 4.10%	Senior: 32 months; Junior: 57 months

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



# Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

## 34. OTHER LIABILITIES

	2020/12/31	2019/12/31
	RMB'000	RMB'000
<b>Current</b>		
Amounts due to related parties	33	804,283
Deposits from customers due within one year	3,596,917	2,566,718
Deferred revenue	81,061	63,998
Interest payable	663,750	572,315
Bank acceptance bill	1,192,280	727,867
Advance receipt	13,560	4,788
Other taxes payable	9,866	3,900
Accrued expenses	147,677	161,233
Government cooperation project payables (Note 24)	230,483	37,334
Government outsourcing project payables	52,712	187,220
Contract liabilities	204,020	120,000
Other payables	284,675	109,963
<b>Total</b>	<b>6,477,034</b>	<b>5,359,619</b>
<b>Non-current</b>		
Deposits from customers	6,912,746	7,116,287
Deferred revenue	592,924	666,492
Deposits from suppliers and agents	76,167	50,767
Aircraft maintenance funds	298,563	222,120
Liabilities with continuing involvement	60,338	—
Other payables	218,564	78,164
<b>Total</b>	<b>8,159,302</b>	<b>8,133,830</b>

# Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

## 35. SHARE CAPITAL

	2020/12/31	2019/12/31
	RMB'000	RMB'000
Issued and fully paid capital		
At beginning of the year	8,235,300	7,000,000
Additions (note i)	—	1,235,300
At end of the year (note ii)	<b>8,235,300</b>	8,235,300

notes:

- (i) On June 3, 2019, the Company was listed on the Main Board of Hong Kong Stock Exchange and issued 1,235,300,000 H shares with par value of RMB1. The gross proceeds amounted to HKD2,322,364 thousand. After deducting the issuance cost, RMB1,235,300 thousand and RMB728,501 thousand were credited to share capital and capital reserve respectively.
- (ii) Upon listed on the Hong Kong Stock Exchange, the Company had two classes of ordinary shares, namely H Shares and Domestic Shares. During the Initial Public Offering, 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.

# Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

## 36. RESERVES

### (1) Capital reserve

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

	Beginning of the year RMB'000	Addition RMB'000	End of the year RMB'000
<b>2020</b>			
Capital premium	2,457,876	—	2,457,876
Other capital reserve	39,589	—	39,589
<b>Total</b>	<b>2,497,465</b>	<b>—</b>	<b>2,497,465</b>
<b>2019</b>			
Capital premium	1,740,574	717,302	2,457,876
Other capital reserve	39,589	—	39,589
<b>Total</b>	<b>1,780,163</b>	<b>717,302</b>	<b>2,497,465</b>

### (2) Surplus reserve

The surplus reserve is the statutory surplus reserve.

Pursuant to the Company Law of the PRC, 10% of the net profit of the Company, as determined under the relevant accounting rules in the PRC, is required to be transferred to the statutory surplus reserve until this reserve reaches 50% of the share capital of the Company. The reserve appropriated can be used for offsetting accumulated losses, expansion of business and capitalisation, in accordance with the Company's articles of association or as approved under proper authorisation.

	Beginning of the year RMB'000	Addition RMB'000	End of the year RMB'000
<b>2020</b>			
Statutory reserve	314,999	94,182	409,181
<b>2019</b>			
Statutory reserve	203,446	111,553	314,999

## Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

### 36. RESERVES (CONTINUED)

#### (3) Hedging reserve

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

	Beginning of the year RMB'000	(Reduction)/ Addition RMB'000	End of the year RMB'000
<b>2020</b>			
Hedging reserve	2,502	(74,695)	(72,193)
<b>2019</b>			
Hedging reserve	—	2,502	2,502

The hedging reserve represents the cumulative effective portion of gains and losses arising on changes in fair value of hedging instruments entered into for cash flow hedges.

#### (4) Translation reserve

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group at the exchange rate prevailing at the end of each reporting period, and the income and expenses are translated at the average exchange rates for the period or exchange rates similar with the spot exchange rate on the date of the transaction. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in the translation reserve.

# Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

## 37. OTHER EQUITY INSTRUMENTS

As at March 11, 2016, the Company issued a perpetual medium-term note with principal amount of RMB1,200,000 thousand 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 limit on the number of time the interests are deferred which is not considered as a breach of the contract for the issuer.

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

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

As at December 14, 2020, the Company issued a renewable trust plan with principal amount of RMB286,500 thousand and value date on December 24, 2020.

The above financial instrument has no fixed maturity date and the Company may choose to defer the principal in accordance with the contractual terms or expire when the Company is redeemed in accordance with the contractual terms. The Company has the right to redeem at par value plus interest payable.

Unless the compulsory interest payment events mentioned below have occurred, the Company has the right to choose to defer interest payment at each interest payment date without limit on the number of time the interests are deferred which is not considered as a breach of the contract for the issuer.

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

- to declare and pay dividend to ordinary shareholders
- to decrease registered capital
- to redeem or pay interest to other equity instrument which is subordinate to the renewable trust plan.

# Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

## 37. OTHER EQUITY INSTRUMENTS (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 and renewable trust plan are recognised as other equity instrument under IAS 32 *Financial Instruments: Presentation*.

During the year ended December 31, 2020, profit attributable to the holders of other equity instruments of the Group amounting to RMB50,221 thousand (year ended December 31, 2019: RMB50,148 thousand), are determined with reference to the distribution rate specified in the terms and conditions.

## 38. INTERESTS IN STRUCTURED ENTITIES

### (1) Interest in consolidated structured entities

The Group holds interests in some structured entities through investments in the securities or notes issued by these structured entities. The assets of these structured entities mainly include asset-backed securities and asset-backed notes. When assessing whether to consolidate structured entities, the Group reviews all facts and circumstances to determine whether the Group, as manager, is acting as an agent or a principal. These factors considered include the scope of the manager's decision-making authority, rights held by other parties, remuneration to which it is entitled and exposure to variability of returns. The Group has determined that all of these structured entities were controlled by the Group and therefore consolidated when preparing the consolidated financial statements. Refer to Note 39 for details.

### (2) Interest in unconsolidated structured entities

The Group has been involved in other structured entities through investments in structured entities that provide specialised investment opportunities to investors. These structured entities generally finance the purchase of assets by issuing units of products. The Group did not control these structured entities and therefore, these structured entities were not consolidated.

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

The carrying amount and maximum risk exposure of the unconsolidated structured entities amounted to RMB451 million and RMB912 million as of December 31, 2020 and 2019, respectively. As at December 31, 2020 and 2019, total fair value gains from these structured entities amounted to RMB9,633 thousand and RMB938 thousand respectively. These amounts are included in the items presented in Note 27.

# Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

## 39. TRANSFER OF FINANCIAL ASSETS

### Asset-backed securities

The Group enters into securitisation transactions in the normal course of business by which it transfers finance lease receivables and receivables arising from sale and leaseback arrangements to structured entities which issue asset-backed securities to investors.

In some cases, the Group holds all the junior tranches asset-backed securities, substantially all the risks and rewards of ownership of the transferred assets are retained, so the Group continues to recognise the transferred asset in its entirety and recognises bonds payable for the consideration received.

As at December 31, 2020, the carrying amount of finance lease receivables and receivables arising from sale and leaseback arrangements that have been transferred but not derecognised was RMB10,467 million (December 31, 2019: RMB11,037 million).

As at December 31, 2020, the related carrying amount of financial liabilities was RMB9,906 million (December 31, 2019: RMB10,536 million).

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

As at December 31, 2020, the carrying amount of finance lease receivables and receivables arising from sale and leaseback arrangements that have been securitised by the Group under arrangements in which the Group retained a continuing involvement in such assets was RMB451 million (December 31, 2019: nil).

As at December 31, 2020, the carrying amount of assets that the Group continued to recognise was RMB60 million (December 31, 2019: nil). The Group recognised the same amount arising from such continuing involvement in other assets and other liabilities.

### Asset-backed notes

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

As at December 31, 2020, the carrying amount of finance lease receivables and receivables arising from sale and leaseback arrangements that have been transferred but not derecognised was RMB1,077 million (December 31, 2019: RMB2,673 million).

As at December 31, 2020, the related carrying amount of financial liabilities was RMB731 million (December 31, 2019: RMB2,475 million).

## Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

### 40. CASH AND CASH EQUIVALENTS

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

	2020/12/31 RMB'000	2019/12/31 RMB'000
Deposit in banks	4,570,959	5,053,127
<b>Total</b>	<b>4,570,959</b>	<b>5,053,127</b>

### 41. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities. Interest payments in relation to below liabilities are included in other liabilities and presented in operating cash flow.

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



## Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

### 41. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES (CONTINUED)

	As at January 1, 2019 RMB'000	Financing cash flows RMB'000	Dividends distributed RMB'000	Foreign exchange losses RMB'000	Other changes RMB'000	As at December 31, 2019 RMB'000
Bank borrowings	29,924,523	4,300,986	—	118,530	72,633	34,416,672
Borrowings from related parties	1,074,090	45,214	—	42,233	—	1,161,537
Borrowings from other financial institutions	—	1,990,000	—	—	—	1,990,000
Bonds payable	27,451,651	3,942,498	—	—	52,793	31,446,942
Dividends payable	—	(411,765)	411,765	—	—	—
Distribution of perpetual note	—	(50,062)	50,062	—	—	—
Amounts due to related parties	3,994	(3,994)	—	(361)	804,644	804,283
Lease liabilities	33,553	(41,184)	—	—	196,671	189,040
<b>Total</b>	<b>58,487,811</b>	<b>9,771,693</b>	<b>461,827</b>	<b>160,402</b>	<b>1,126,741</b>	<b>70,008,474</b>

### 42. OPERATING LEASES

#### The Group as lessor

Operating leases relate to the aircraft owned by the Group with lease terms of around 6 to 13 years. The lessees do not have an option to purchase the leased asset before the expiry of the lease period.

Minimum lease payments receivable on leases are as follows:

	2020/12/31 RMB'000	2019/12/31 RMB'000
Within one year	674,405	452,911
In the second year	598,230	485,877
In the third year	581,047	468,129
In the fourth year	517,691	458,527
In the fifth year	475,797	390,788
After five years	981,461	792,310
<b>Total</b>	<b>3,828,631</b>	<b>3,048,542</b>

# Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

## 43. COMMITMENTS

### Capital commitments

In addition to the operating lease commitments detailed in Note 42 above, the Group had the following capital commitments at the end of the reporting period.

	2020/12/31	2019/12/31
	RMB'000	RMB'000
Contracted, but not provided for:		
Construction agreements under PPP and government outsourcing projects	2,633,605	2,590,831
Property and equipment	590,503	2,912,601
Total	3,224,108	5,503,432

# Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

## 44. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

The emoluments of the Directors and Supervisors of the Company paid or payable by the Group for the year ended December 31, 2020 and 2019 are set out below:

For the year ended December 31, 2020

Name	Director fee RMB'000	Salary and allowances RMB'000	Employer's contribution to pension schemes RMB'000	Discretionary bonuses RMB'000	Total RMB'000
<b>Executive Directors:</b>					
Ding Xueqing	—	1,551	670	4,565	6,786
Zhou Jianli	—	1,373	500	3,181	5,054
<b>Non-executive</b>					
<b>Directors:</b>					
Zhang Shaohua	—	—	—	—	—
Ren Peng	—	—	—	—	—
Wu Shukun	—	—	—	—	—
Ha Erman	—	—	—	—	—
Li Chuan	—	—	—	—	—
<b>Independent Non-</b>					
<b>executive Directors:</b>					
Jiang Yulin	210	—	—	—	210
Yo Shin(iii)	198	—	—	—	198
Zeng Qingsheng	210	—	—	—	210
Wu Yat Wai	210	—	—	—	210
Yao Feng(iv)	132	—	—	—	132
Yan Lixin(v)	132	—	—	—	132
<b>Supervisors:</b>					
Wang Meijuan(vi)	—	—	—	—	—
Zhou Tao(vii)	—	—	—	—	—
Zhao Yue	—	473	43	206	722
Chen Xinji	—	675	130	455	1,260
	1,092	4,072	1,343	8,407	14,914

## Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

### 44. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

For the year ended December 31, 2019

Name	Director fee RMB'000	Salary and allowances RMB'000	Employer's contribution to pension schemes RMB'000	Discretionary Bonuses RMB'000	Total RMB'000
<b>Executive Directors:</b>					
Ding Xueqing	—	1,546	665	4,324	6,535
Zhou Jianli	—	1,242	529	3,138	4,909
<b>Non-executive</b>					
<b>Directors:</b>					
Zhang Shaohua	—	—	—	—	—
Ren Peng					
Wu Shukun					
Ha Erman(i)	—	—	—	—	—
Li Chuan(ii)	—	—	—	—	—
<b>Independent Non-executive Directors:</b>					
Jiang Yulin	210	—	—	—	210
Yo Shin	210	—	—	—	210
Zeng Qingsheng	210	—	—	—	210
Wu Yat Wai	210	—	—	—	210
<b>Supervisors:</b>					
Wang Meijuan	—	—	—	—	—
Zhao Yue	—	471	85	207	763
Chen Xinji	—	643	172	442	1,257
	840	3,902	1,451	8,111	14,304

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Group, and the non-executive directors' and the independent non-executive directors' emoluments shown above were for their services as directors of the Company.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year and no emoluments were paid by the Group to any of the directors, supervisors or senior management as an inducement to join or upon joining the Group or as compensation for redundancy.

# Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

## 44. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

notes:

- (i) Ha Erman was appointed as non-executive director in November 2019.
- (ii) Li Chuan was appointed as non-executive director in November 2019.
- (iii) Yo Shin resigned from the position of independent non-executive director in December 2020.
- (iv) Yao Feng was appointed as independent non-executive director in May 2020.
- (v) Yan Lixin was appointed as independent non-executive director in May 2020.
- (vi) Wang Meijuan resigned from the position of supervisor in May 2020.
- (vii) Zhou Tao was appointed as supervisor in May 2020.

## 45. HIGHEST PAID INDIVIDUALS

The five highest paid employees of the Group during the year included two directors (2019: two directors), details of whose remuneration are set out in Note 44 above. Details of the remuneration for the year of the remaining three (2019: three) highest paid employees who are not directors of the Company are as follows:

	2020 RMB'000	2019 RMB'000
Basic salaries and allowances	3,249	3,231
Bonuses	7,928	7,981
Employer's contribution to pension schemes	1,281	1,373
<b>Total</b>	<b>12,458</b>	<b>12,585</b>

Bonuses are discretionary with reference to the Group's and the individuals' performance. No emoluments have been paid to or receivable by these individuals as an inducement to join or upon joining the Group or as compensation for loss of office for the year ended December 31, 2020 and 2019.

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

	2020 No. of employees	2019 No. of employees
— HKD4,000,001–HKD4,500,000	1	1
— HKD4,500,001–HKD5,000,000	—	2
— HKD5,000,001–HKD5,500,000	2	—
<b>Total</b>	<b>3</b>	<b>3</b>

# Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

## 46. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

In addition to the subsidiaries of the Group set out in Note 51, the name and the relationship of the other related parties are set out below:

Name of the related party	Relationship of the related party
Haitong UT Capital Group Co., Limited	Parent Company
Haitong Securities Co., Ltd.	Ultimate Holding Company
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
Haitong International Securities Co., Ltd.	Fellow Subsidiary
Haitong Futures Co., Ltd.	Fellow Subsidiary
Shanghai Weitai Properties Management Co., Ltd.	Fellow Subsidiary
Gui'an UT Financial Leasing (Shanghai) Co., Ltd.	Joint Venture Company (Note 52)

Other than as disclosed elsewhere in these consolidated financial statements, the Group has the following material transactions with the related parties for the years ended December 31, 2020 and 2019:

### (1) Interest expenses

	2020 RMB'000	2019 RMB'000
Haitong UT Capital Group Co., Limited	36,436	—
Unican Limited	42,111	37,805

### (2) Other income, gains or losses

	2020 RMB'000	2019 RMB'000
Gui'an UT Financial Leasing (Shanghai) Co., Ltd. (note)	42,146	74,451

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

# Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

## 46. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### (3) Service income

	2020 RMB'000	2019 RMB'000
Haitong Capital Investment Co., Ltd.	—	472

### (4) Other operating expenses

	2020 RMB'000	2019 RMB'000
Shanghai Weitai Properties Management Co., Ltd.	13,801	—

As at December 31, 2020 and 2019, the Group had the following material balances with the related parties:

### (5) Financial assets held under resale agreements

	2020/12/31 RMB'000	2019/12/31 RMB'000
Gui'an UT Financial Leasing (Shanghai) Co., Ltd.	—	828,000

### (6) Other assets

	2020/12/31 RMB'000	2019/12/31 RMB'000
Gui'an UT Financial Leasing (Shanghai) Co., Ltd.	—	4,284

### (7) Borrowings

	2020/12/31 RMB'000	2019/12/31 RMB'000
Uican Limited	1,086,395	1,161,537
Haitong UT Capital Group Co., Limited	753,849	—

## Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

### 46. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

#### (8) Bonds payable

	2020/12/31 RMB'000	2019/12/31 RMB'000
Haitong Securities Co., Ltd. (note)	24,088	70,231

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

#### (9) Other liabilities

	2020/12/31 RMB'000	2019/12/31 RMB'000
Haitong Securities Co., Ltd.	—	923
Haitong UT Capital Group Co., Limited	34,427	804,283
Unican Limited	94,978	80,557
Shanghai Haitong Securities Asset Management Co., Ltd.	—	192

#### (10) Others

##### (a) Key management personnel

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

	2020 RMB'000	2019 RMB'000
Basic salaries and allowances	6,173	6,019
Bonuses	15,674	15,443
Employer's contribution to pension schemes	2,451	2,567
Total	24,298	24,029

##### (b) Payment of referral service fees to related party

	2020 RMB'000	2019 RMB'000
Haitong Securities Co., Ltd.	4,211	4,323
Haitong Futures Co., Ltd.	11	170

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



# Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

## 46. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### (10) Others (continued)

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

	2020 RMB'000	2019 RMB'000
Haitong Securities Co., Ltd.	76,187	71,867
Shanghai HFT Fortune Asset Management Co., Ltd.	—	6,652
Shanghai Haitong Securities Asset Management Co., Ltd.	7,199	40,354

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

#### (d) *Payment of issuance costs of shares to related party*

	2020 RMB'000	2019 RMB'000
Haitong International Securities Co., Ltd.	—	9,974

#### (e) *Payment of acquisition of a subsidiary*

	2020 RMB'000	2019 RMB'000
Haitong UT Capital Group Co., Limited	—	173,691

## 47. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY

	2020/12/31 RMB'000	2019/12/31 RMB'000
<b>Non-current assets</b>		
Property and equipment	1,467,874	181,588
Right-of-use assets	141,884	173,330
Intangible assets	14,221	14,953
Finance lease receivables	17,958,991	23,423,968
Receivables arising from sale and leaseback arrangements	19,510,714	12,558,754
Interest in a joint venture	—	252,530
Financial assets at fair value through profit or loss	260,364	—
Loans and receivables	1,166,088	2,594,014
Investments in subsidiaries	4,227,813	2,314,427
Deferred tax assets	1,426,858	982,885
Other assets	469,445	446,628
Total non-current assets	46,644,252	42,943,077

## Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

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

	2020/12/31 RMB'000	2019/12/31 RMB'000
<b>Current assets</b>		
Finance lease receivables	26,315,277	27,568,783
Receivables arising from sale and leaseback arrangements	14,521,906	8,410,947
Loans and receivables	6,436,293	5,304,995
Other assets	760,432	488,954
Accounts receivable	9,292	16,682
Financial assets held under resale agreements	456,808	1,154,514
Financial assets at fair value through profit or loss	572,915	884,108
Derivative financial assets	—	49,619
Cash and bank balances	3,943,852	5,021,473
<b>Total current assets</b>	<b>53,016,775</b>	<b>48,900,075</b>
<b>Total assets</b>	<b>99,661,027</b>	<b>91,843,152</b>
<b>Current liabilities</b>		
Borrowings	20,324,046	18,065,719
Derivative financial liabilities	206,325	13,635
Accrued staff costs	147,886	147,482
Accounts payable	30,118	210,013
Bonds payable	18,408,850	20,114,151
Income tax payable	628,994	451,210
Other liabilities	5,700,622	4,020,723
<b>Total current liabilities</b>	<b>45,446,841</b>	<b>43,022,933</b>
<b>Net current assets</b>	<b>7,569,934</b>	<b>5,877,142</b>
<b>Total assets less current liabilities</b>	<b>54,214,186</b>	<b>48,820,219</b>

Notes to the Consolidated Financial Statements  
for the Year Ended December 31, 2020

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

	2020/12/31	2019/12/31
	RMB'000	RMB'000
<b>Equity</b>		
Share capital	8,235,300	8,235,300
Reserves		
– Capital reserve	2,495,716	2,495,716
– Surplus reserve	409,181	314,999
– Hedging reserve	1,788	(1,190)
Retained profits	2,595,575	2,423,231
Other equity instruments	1,523,756	1,237,212
<b>Total equity</b>	<b>15,261,316</b>	14,705,268
<b>Non-current liabilities</b>		
Borrowings	17,410,549	15,031,818
Bonds payable	13,951,119	11,332,791
Other liabilities	7,591,202	7,750,342
Total non-current liabilities	38,952,870	34,114,951
<b>Total equity and non-current liabilities</b>	<b>54,214,186</b>	48,820,219

Notes to the Consolidated Financial Statements  
for the Year Ended December 31, 2020

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

	Share capital RMB'000	Capital reserve RMB'000	Surplus reserve RMB'000	Hedging reserve RMB'000	Retained profits RMB'000	Other equity instruments RMB'000	Total equity RMB'000
<b>At December 31, 2019</b>	8,235,300	2,495,716	314,999	(1,190)	2,423,231	1,237,212	14,705,268
Profit for the year	—	—	—	—	941,855	50,221	992,076
Other comprehensive income for the year	—	—	—	2,978	—	—	2,978
<b>Total comprehensive income for the year</b>	—	—	—	2,978	941,855	50,221	995,054
Issuance of other equity instruments	—	—	—	—	—	286,500	286,500
Appropriation to surplus reserve	—	—	94,182	—	(94,182)	—	—
Distribution of other equity instruments	—	—	—	—	—	(50,211)	(50,211)
Dividends recognised as distribution	—	—	—	—	(675,295)	—	(675,295)
Others	—	—	—	—	(34)	34	—
<b>At December 31, 2020</b>	8,235,300	2,495,716	409,181	1,788	2,595,575	1,523,756	15,261,316
<b>At January 1, 2019</b>	7,000,000	1,767,215	203,446	—	1,829,085	1,237,008	12,036,754
Profit for the year	—	—	—	—	1,105,066	50,148	1,155,214
Other comprehensive expenses for the year	—	—	—	(1,190)	—	—	(1,190)
<b>Total comprehensive (expense)/ income for the year</b>	—	—	—	(1,190)	1,105,066	50,148	1,154,024
Issuance of shares, net	1,235,300	728,501	—	—	—	—	1,963,801
Appropriation to surplus reserve	—	—	111,553	—	(111,553)	—	—
Distribution of other equity instruments	—	—	—	—	12,516	(50,062)	(37,546)
Dividends recognised as distribution	—	—	—	—	(411,765)	—	(411,765)
Others	—	—	—	—	(118)	118	—
<b>At December 31, 2019</b>	8,235,300	2,495,716	314,999	(1,190)	2,423,231	1,237,212	14,705,268

# Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

## 48. FINANCIAL INSTRUMENTS

### Categories of financial instruments

	2020/12/31 RMB'000	2019/12/31 RMB'000
<b>Financial assets</b>		
<i>Financial assets measured at amortised cost:</i>		
Cash and bank balances	5,176,968	5,458,838
Loans and receivables	7,630,090	8,084,652
Receivables arising from sale and leaseback arrangements	35,214,476	21,943,692
Financial assets held under resale agreements	—	1,154,514
Accounts receivable	36,913	16,682
Other financial assets	683,483	286,785
<i>Financial assets at fair value through profit or loss:</i>		
Financial assets at fair value through profit or loss	899,200	1,287,984
Derivative financial assets	—	49,619
<b>Total</b>	<b>49,641,130</b>	<b>38,282,766</b>

	2020/12/31 RMB'000	2019/12/31 RMB'000
<b>Financial liabilities</b>		
<i>Financial liabilities measured at amortised cost:</i>		
Borrowings	44,001,574	37,757,249
Accounts payable	30,118	279,399
Bonds payable	32,359,969	31,446,942
Other financial liabilities	14,168,171	13,179,033
<i>Financial liabilities at fair value through profit or loss:</i>		
Derivative financial liabilities	359,910	98,805
<b>Total</b>	<b>90,919,742</b>	<b>82,761,428</b>

## 49. FINANCIAL RISK MANAGEMENT

### Overview of financial risk management

The Group's activities expose it to a variety of financial risks. The Group identifies, evaluates and manages risks. The Group's risk management objective is to achieve an appropriate balance between risk and return, and minimise potential adverse effects on the Group's financial performance.

The Group's risk management policies are designed to identify and analyse risks to set appropriate risk limits and control procedures, and to monitor the risks through appropriate control processes.

The board of directors of the Company establishes overall risk management strategy. The management establishes related risk management policies and procedures, including credit risk, market risk, liquidity risk and so on. Such risk policies and procedures are carried out by Risk Management Department, Credit Review & Approval Department, Commerce Department, Asset Management Department, Business Department, Compliance Department, Treasury Management Department, Finance Department and other relevant committees after the approval of the board of directors.

The major financial risks of the Group are credit risk, market risk and liquidity risk. Market risk includes foreign currency risk, interest rate risk and price risk.

### Credit risk

The Group is exposed to credit risk in relation to its cash and bank balances, finance lease receivables, receivables arising from sale and leaseback arrangements, factoring receivables, entrusted loans and other loans, financial assets held under resale agreements, accounts receivable and other financial assets. The Group's credit risk is primarily attributable to its finance lease receivables and receivables arising from sale and leaseback arrangements which is the risk of the lessees being unable to meet its contractual obligations.

The Group implemented standardised management procedures over the processes of target customers selection, the due diligence and application, credit review and approval, finance lease disbursement, post-lending monitoring, management of non-performing finance lease receivables and other aspects. Through implementation of relevant credit risk management policies and procedures, the effective use of finance lease information system and optimisation of the portfolio of finance leases, the Group is able to timely and effectively identify, monitor and manage its potential credit risks.

Changes in the economic environment will have an impact on the Group's finance lease, and the adverse effects will increase the possibility of losses incurred by the Group. The Group's current major business operations are in mainland China, but the differences of economic development in different regions require the Group to closely manage the relevant credit risks. The Business Department, Credit Review & Approval Department, Asset Management Department and Risk Management Department in charge of different industries and regions are responsible for the whole chain management of the credit risks in this order, and periodically reporting on the quality of assets to the board of directors of the Company. The Group has established mechanisms to set credit risk limits for individual lessees and periodically monitors the above credit risk limits.

# Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

## 49. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Credit risk (continued)

#### Risk limit management and mitigation measures

The Group manages, limits, and controls the concentration of credit risks and, as far as possible, avoids risks concentration on single lessee, industry or region.

The Group manages customer limits to optimise the credit risk structure. The Group performs pre-project analysis of the lessee's ability to repay principal and interest, real-time supervision of the lessee's actual repayment status during the project to manage credit risks.

Other specific management and mitigation measures include:

#### (a) *Guarantee*

The Group has developed a series of policies to mitigate credit risk, including obtaining collateral/pledge, security deposit and guarantee from an enterprise or individual.

According to the characteristics of the finance lease and sale and leaseback transactions, the Group has the ownership of the asset under the lease during the lease term. According to the Civil Code of PRC, in the event of default, the Group is entitled to terminate the contract and repossess the leased asset if the lessee fails to pay the rentals within a reasonable period after being notified.

In addition, the Group requests a third party guarantee or collateral from certain lessees, depending on the lessee's credit status and credit risk degree of the finance lease. The management evaluate the capability of the guarantor, the ownership and value of the mortgage and pledge and the feasibility of realising the mortgage and pledge.

#### (b) *Insurance on the asset of the finance lease and sale and leaseback transactions*

For finance lease and sale and leaseback transactions, the ownership of the lease asset belongs to the Group before the expiry of the lease, but the risks and rewards in operational use and maintenance have been transferred to the lessee. Therefore, if any accidents occur to the asset, the lessee should immediately report the case to the insurance company and notify the Group, provide accident report with relevant documents and settle claims with the insurance company.

#### Group's exposure to credit risk

Credit risk refers to the risk that a customer or counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group considers all elements of credit risk exposure such as counterparty default risk and sector risk for risk management purposes.

## 49. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Credit risk (continued)

#### Group's exposure to credit risk (continued)

In addition to the credit risk limit management and other mitigation measures as described above, the Group monitors all financial assets that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime ECL rather than 12-month ECL.

In order to minimise credit risk, the Group has tasked to develop and maintain the Group's credit risk grading to categorise exposures according to their degree of risk of default. The credit grading information is based on a range of data that is determined to be predictive of the risk of default and applying experienced credit judgment. The nature of the exposure and the type of counterparty are taken into account in the analysis. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default.

The internal credit risk grades are designed and calibrated to reflect the risk of default as credit risk deteriorates. As the credit risk increases, the difference in risk of default between grades changes. Each exposure is allocated to a credit's risk grade at initial recognition, based on the available information about the counterparty. All exposures are monitored and the credit risk grade is updated to reflect current information. The Group uses credit risk grades as a primary input into the determination of the term structure of the probability of default ("PD") for exposures. The Group uses both quantitative and qualitative criteria to determine whether credit risk has increased significantly.

The Groups uses forward-looking macro-economic data such as year on year percentage change of PPI, CPI, GDP and M2 in its assessment of significant increase in credit risk as well as in its measurement of ECL. The Group develops the forward-looking adjustment on ECL by building the relationship between these forward-looking macro-economic data and the business risk characteristics. In addition to the neutral scenario, the Group also develops other possible scenarios and corresponding weights in combination with market expectations. The Group measures PD as a weighted average of PD under extremely optimistic, optimistic, neutral, pessimistic and extremely pessimistic scenarios, with the combination of the LGD of different business, the Group calculates the forward-looking adjusted ECL.

As at end of 2020, the Group conducted stress testing on the macro-economic data used in forward-looking measurement. When the weights of optimistic/extremely optimistic scenarios each increase by 5% and neutral scenario decrease by 10% or pessimistic/extremely pessimistic scenarios each increase by 5% and neutral scenario decrease by 10%, the impact on the Group's ECL allowances is insignificant.



# Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

## 49. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Credit risk (continued)

#### Group's exposure to credit risk (continued)

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

Category	Description	Basis for recognising ECL
Stage 1	For financial assets where there has low risk of default or has not been a significant increase in credit risk since initial recognition and that are not credit impaired.	12m ECL
Stage 2	For financial assets where there has been a significant increase in credit risk since initial recognition but that are not credit impaired.	Lifetime ECL — not credit impaired
Stage 3	Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred.	Lifetime ECL — credit impaired

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

	2020/12/31 RMB'000	2019/12/31 RMB'000
<b>Financial assets at amortised cost:</b>		
Cash and bank balances	5,176,968	5,458,838
Receivables arising from sale and leaseback arrangements	35,214,476	21,943,692
Loans and receivables	7,630,090	8,084,652
Financial assets held under resale agreements	—	1,154,514
Accounts receivable	36,913	16,682
Other financial assets	683,483	286,785
<b>Financial assets at fair value through profit or loss:</b>		
Financial assets at fair value through profit or loss	—	340,125
Derivative financial assets	—	49,619
<b>Finance lease receivables</b>	<b>48,411,403</b>	<b>52,941,643</b>
<b>Total</b>	<b>97,153,333</b>	<b>90,276,550</b>

# Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

## 49. FINANCIAL RISK MANAGEMENT (CONTINUED)

### **Credit risk (continued)**

#### **Group's exposure to credit risk (continued)**

The amounts of the credit risk exposures set out above are the carrying amounts as at December 31, 2020 and 2019. For financial instruments measured at fair value, the risk exposure considered as its carrying value changes in accordance with future fair value.

#### ***Finance lease receivables***

For finance lease receivables, the Group has applied the three-stage impairment approach in IFRS 9 to measure ECL. Refer to Note 20 for the stage details.

#### ***Receivables arising from sale and leaseback arrangements***

For receivables arising from sale and leaseback arrangements, the Group has applied the three-stage impairment approach in IFRS 9 to measure ECL. Refer to Note 21 for the stage details.

#### ***Loans and receivables***

For loans and receivables, the Group has applied the three-stage impairment approach in IFRS 9 to measure ECL. Refer to Note 22 for the stage details.

#### ***Accounts receivable and other financial assets***

For accounts receivable, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. For other financial assets, the Group has applied the general approach in IFRS 9 to measure the loss allowance for ECL.

#### ***Bank balances***

The bank balances is determined to have low credit risk at the reporting date. The credit risk on bank balances is limited because the counterparties are reputable banks, and the risk of inability to pay or redeem at the due date is low.

### **Market risk**

The Group is exposed to market risks that may cause losses to the Group as a result of adverse market changes in market prices.

#### **Market risks measurement techniques**

The Group currently establishes position limits and uses sensitivity analysis to measure and control market risks. The Group regularly calculates and monitors the foreign exchange risk exposure, as well as the difference (exposure) between interest-bearing assets and liabilities which would need to be repriced or mature in a certain period, and then uses the exposure information to perform sensitivity analysis under changing exchange rate and market interest rate.

#### **Foreign currency risk**

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates.

# Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

## 49. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Market risk (continued)

#### Foreign currency risk (continued)

Foreign currency risk of the Group is mainly attributable to the mismatch of the currencies of assets and liabilities and is mainly affected by changes in the exchange rates of RMB and US dollar. The Group manages its foreign exchange rates under the principle of risk neutralisation by matching the allocation of assets and liabilities of different currencies according to sensitivity analysis of the impact on operation resulting from changes in exchange rate. If necessary, the Group will hedge the exposure of foreign currency risk by using foreign exchange derivatives when chances arise. The operating lease (aircraft leasing) business of the Group is funded by loans denominated in US dollar which can offset part of the foreign currency risk exposure. The Group hedges the foreign currency risk arising from funding by currency forwards and other instruments. Such arrangement effectively minimises the foreign currency risk exposure. The foreign currency risk of the Group as a whole is relatively small and has no significant effect on the profits of the Group for the year.

The carrying amounts of the Group's foreign currency denominated assets and liabilities at the end of each reporting period were as follows:

	Assets		Liabilities	
	2020/12/31 RMB'000	2019/12/31 RMB'000	2020/12/31 RMB'000	2019/12/31 RMB'000
United States dollar	1,031,857	1,431,589	8,997,577	4,572,464

#### Sensitivity analysis

The Group is mainly exposed to the effects of fluctuation in USD against RMB.

The following table details the Group's sensitivity to a 5% increase and decrease in RMB, the functional currency of respective group entities, against USD. 5% in the sensitivity rate represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation as at year end date for a 5% change in foreign currency rate. The analysis illustrates the impact for a 5% weakening of USD against RMB and a positive number below indicates an increase in profit for the year. For a 5% strengthening of USD against RMB, there would be an equal and opposite impact on the profit for the year.

	2020/12/31 RMB'000	2019/12/31 RMB'000
Increase in net profit	198,756	117,783

#### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

# Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

## 49. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Market risk (continued)

#### Interest rate risk (continued)

The Group's exposure to interest rate risk relates primarily to the Group's bank balances, finance lease receivables, receivables arising from sale and leaseback arrangements, loans and other receivables, financial assets held under resale agreements, accounts receivable, other financial assets, structured deposits in financial assets at fair value through profit or loss, borrowings, accounts payable, bonds payable, and other financial liabilities.

Management closely monitors the market, and controls interest rate sensitivity gap by adjusting asset and liability structure, so as to achieve effective management of interest rate risk.

Fluctuations of prevailing rate quoted by the PBOC, LPR and LIBOR are the major sources of the Group's cash flow interest rate risk.

#### Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for interest bearing financial assets and liabilities. The analysis is prepared assuming the interest bearing financial assets and liabilities outstanding at the end of each reporting period were outstanding for the whole year. When reporting to the management on the interest rate risk, the Group will adopt a 100 basis points increase or decrease for sensitivity analysis, when considering the reasonably possible change in interest rates.

	2020/12/31 RMB'000	2019/12/31 RMB'000
Increase (decrease) in net profit		
100 basis points increase	224,191	253,840
100 basis points decrease	(224,191)	(253,840)

#### Price risk

The Group's exposure to price risk relates primarily to its investments in funds, wealth management products, equity instruments, asset management schemes and trust plans in financial assets at fair value through profit or loss.

The management considers the exposure of the Group to the price risk is insignificant as the Group's investments are not material.

#### Liquidity risk

Liquidity risk refers to the risk that the Group is unable to obtain fund at a reasonable cost to repay the liabilities or seize other investment opportunities. The objective of the Group's liquidity risk management is to ensure sufficient capital resource at any time to meet the repayment needs of matured liabilities, as well as the lessee's financing demand and seize new investment opportunities.

# Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

## 49. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Liquidity risk (continued)

The major payment demand of the Group is the repayments of matured debt.

### Liquidity risk management policy

Each year, the Group formulates annual liquidity risk tolerance level based on comprehensive assessment of future development, operational strategies and market conditions and implements administrative measures accordingly under proper authorisation and approval procedures. In order to effectively monitor and manage liquidity risk, the Group formulates and promulgates policies such as Measures for the Management of Liquidity Risk, and carried out regular liquidity risk management through monthly tracking of the information system and assessment of conditions and indicators of liquidity risk. The details are as follows:

Regarding the intraday liquidity risk management:

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

Regarding the medium and long-term liquidity risk management:

- Implement the asset-liability structure management by determining a reasonable asset-liability ratio, monitoring and forecasting the ratio and complying with a predetermined upper limit of the aforementioned ratio;
- Implement the debt maturity structure management by tracking and forecasting the debt maturity structure, analysing the matching situation between assets and liabilities to ensure that mismatches are always within a reasonable range;
- Implement the management of credit line by continuously tracking various information of the existing credit line, such as the amount, type, duration, currency, etc., to meet a sufficient credit reserves position;
- Evaluate cooperation with every single major commercial bank, maintains financing reserve from multiple markets and channels, focuses on financing management at the group level and keeps financing channels unblocked.

# Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

## 49. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Liquidity risk (continued)

#### Cash flow for non-derivative financial instruments

The table below presents the cash flows receivable and payable by the Group under non-derivative financial assets and liabilities and finance lease receivables by remaining contractual maturities at the end of each reporting period. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Group manages the inherent liquidity risk based on expected undiscounted cash inflows:

As at December 31, 2020

	Overdue	On demand	Within 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Financial assets and finance lease receivables</b>							
Cash and bank balances	—	4,630,725	492,006	54,426	—	—	5,177,157
Financial assets at fair value through profit or loss	—	402,418	160,543	9,954	260,364	65,921	899,200
Finance lease receivables	841,948	—	7,626,063	22,713,145	23,226,940	501,855	54,909,951
Receivables arising from sale and leaseback arrangements	58,423	—	3,958,762	12,816,861	22,431,809	43,031	39,308,886
Loans and receivables	886,835	—	673,020	6,065,860	1,385,650	75,052	9,086,417
Accounts receivable	31,819	—	—	39,424	—	—	71,243
Other financial assets	—	43,524	205	5,938	416,846	408,049	874,562
<b>Non-derivative financial assets total</b>	<b>1,819,025</b>	<b>5,076,667</b>	<b>12,910,599</b>	<b>41,705,608</b>	<b>47,721,609</b>	<b>1,093,908</b>	<b>110,327,416</b>
<b>Financial liabilities</b>							
Borrowings	—	—	5,847,718	17,722,894	22,299,700	601,913	46,472,225
Accounts payable	—	30,118	—	—	—	—	30,118
Bonds payable	—	—	7,850,761	11,730,870	14,733,120	—	34,314,751
Other financial liabilities	—	567,903	900,433	3,969,825	7,727,244	339,014	13,504,419
<b>Non-derivative financial liabilities total</b>	<b>—</b>	<b>598,021</b>	<b>14,598,912</b>	<b>33,423,589</b>	<b>44,760,064</b>	<b>940,927</b>	<b>94,321,513</b>
<b>Net position</b>	<b>1,819,025</b>	<b>4,478,646</b>	<b>(1,688,313)</b>	<b>8,282,019</b>	<b>2,961,545</b>	<b>152,981</b>	<b>16,005,903</b>

# Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

## 49. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Liquidity risk (continued)

#### Cash flow for non-derivative financial instruments (continued)

As at December 31, 2019

	Overdue RMB'000	On demand RMB'000	Within 3 months RMB'000	3 months to 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
<b>Financial assets and finance</b>							
<b>lease receivables</b>							
Cash and bank balances	—	5,443,046	15,797	—	—	—	5,458,843
Financial assets at fair value through profit or loss	—	835,989	416,112	—	—	35,921	1,288,022
Financial assets held under resale agreements	—	—	331,941	839,315	—	—	1,171,256
Finance lease receivables	499,151	—	8,546,271	22,569,568	27,332,633	401,150	59,348,773
Receivables arising from sale and leaseback arrangements	12,281	—	2,522,891	7,387,649	14,834,717	—	24,757,538
Loans and receivables	719,849	—	328,557	5,414,966	3,149,912	170,498	9,783,782
Accounts receivable	31,819	—	—	—	—	—	31,819
Other financial assets	—	174,639	—	—	30,683	71,594	276,916
<b>Non-derivative financial assets total</b>	<b>1,263,100</b>	<b>6,453,674</b>	<b>12,161,569</b>	<b>36,211,498</b>	<b>45,347,945</b>	<b>679,163</b>	<b>102,116,949</b>
<b>Financial liabilities</b>							
Borrowings	—	—	5,749,327	15,245,438	17,799,930	1,188,103	39,982,798
Accounts payable	—	279,399	—	—	—	—	279,399
Bonds payable	—	—	4,027,143	17,268,531	11,998,189	—	33,293,863
Other financial liabilities	—	1,138,799	676,811	2,681,773	8,085,115	257,923	12,840,421
<b>Non-derivative financial liabilities total</b>	<b>—</b>	<b>1,418,198</b>	<b>10,453,281</b>	<b>35,195,742</b>	<b>37,883,234</b>	<b>1,446,026</b>	<b>86,396,481</b>
<b>Net position</b>	<b>1,263,100</b>	<b>5,035,476</b>	<b>1,708,288</b>	<b>1,015,756</b>	<b>7,464,711</b>	<b>(766,863)</b>	<b>15,720,468</b>

## Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

### 49. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### Liquidity risk (continued)

##### Cash flow for derivative financial instruments

The following tables detail the Group's liquidity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted gross inflows and outflows on those derivatives that require gross settlement.

##### *Derivative settled on a gross basis*

	Less than 3 months RMB'000	3 months to 1 year RMB'000	1 year to 5 years RMB'000	Total RMB'000
December 31, 2020				
Total inflows	167,685	1,400,428	1,171,482	2,739,595
Total outflows	(175,559)	(1,497,365)	(1,231,302)	(2,904,226)
	(7,874)	(96,937)	(59,820)	(164,631)

	Less than 3 months RMB'000	3 months to 1 year RMB'000	1 year to 5 years RMB'000	Total RMB'000
December 31, 2019				
Total inflows	14,156	1,427,694	859,479	2,301,329
Total outflows	(13,936)	(1,392,791)	(835,770)	(2,242,497)
	220	34,903	23,709	58,832

#### Capital management

The Group manages its capital to ensure that the companies in the Group are able to operate as a going concern by optimising the structure of the debt and shareholders' equity while maximising shareholders' return. The objective of the Company's capital management is to ensure in compliance with the relevant laws, regulations and other regulatory requirements. According to the current relevant laws and regulations in effect, the Company's risk assets shall not exceed 8 times of net assets.

As at December 31, 2020, the risk assets to net assets ratio complied with the aforementioned regulations.



# Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

## 50. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

Some of the financial assets and financial liabilities are measured at fair value. 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)
	2020/12/31 RMB'000	2019/12/31 RMB'000		
1) Financial assets at fair value through profit or loss				
– Funds	260,841	835,989	Level 2	Net asset value as published by the fund manager.
– Wealth management products	30,006	–	Level 2	Net asset value as published by the product manager.
– Equity instruments	111,571	–	Level 1	Quoted bid price in an active market.
	65,309	–	Level 2	Based on latest round of financing
	270,930	35,921	Level 3	Quoted market prices with an adjustment of discount for lack of marketability; or using market approach, with reference to the market value of the comparable listed company, as well as the liquidity discount impact.
– Structured deposits	–	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	160,543	75,949	Level 2	Net asset value as published by the issuer/financial institution.

# Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

## 50. 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)
	2020/12/31 RMB'000	2019/12/31 RMB'000		
2) Currency forwards	<b>Assets:</b> —	Assets: 42,339	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.
	<b>Liabilities:</b> (85,526)	Liabilities: —		
3) Interest rate swaps	<b>Liabilities:</b> (160,674)	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	<b>Assets:</b> —	Assets: 7,280	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.
	<b>Liabilities:</b> (113,710)	Liabilities: —		

# Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

## 50. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

Management determines the fair value of the Group's level 3 equity instruments using valuation techniques that incorporate unobservable input. The unobservable input is discounted for lack of marketability. The higher the discount, the lower the fair value.

There was no transfer between Level 1 and Level 2 during the year ended December 31, 2020 and 2019.

### Reconciliation of Level 3 fair value measurements

	Equity instruments RMB'000
At December 31, 2019	35,921
Profit or loss	
— In profit or loss	(285)
Additions	300,603
Transfers to level 2	(65,309)
<b>At December 31, 2020</b>	<b>270,930</b>
Total unrealised gains or losses included in the consolidated statement of profit or loss for assets held at the end of the reporting period in 2020	<b>(30,202)</b>

During the year ended December 31, 2019, decreased of the Group's level 3 equity instruments amounting to RMB157 thousand represented the fair value change.

### Financial instruments that are not measured at fair value

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

	Carrying amount		Fair value	
	2020/12/31 RMB'000	2019/12/31 RMB'000	2020/12/31 RMB'000	2019/12/31 RMB'000
Financial liabilities:				
Bonds Payable	32,359,969	31,446,942	32,505,904	31,619,948

# Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

## 50. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

### Financial instruments that are not measured at fair value (continued)

#### *Fair value hierarchy of financial instruments not measured at fair value*

	2020/12/31			Total RMB'000
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	
Bonds payable	—	32,505,904	—	32,505,904

	2019/12/31			Total RMB'000
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	
Bonds payable	—	31,619,948	—	31,619,948

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

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

## 51. PARTICULARS OF SUBSIDIARIES

Details of the subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below:

Name of subsidiaries	Place and date of Incorporation/ establishment	Registered capital	Equity interest held by the Company		Principal activities/ place of operation
			At December 31, 2020	2019	
Directly held:					
Haitong UniFortune International Leasing Co., Ltd	PRC, 2011	RMB 210,000,000	100%	100%	Leasing, PRC
Shanghai UniCircle Investment & Development Co., Ltd.	PRC, 2006	RMB 100,000,000	100%	100%	Trading, PRC

# Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

## 51. PARTICULARS OF SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Place and date of incorporation/ establishment	Registered capital	Equity interest held by the Company		Principal activities/ place of operation
			At December 31, 2020	2019	
Haitong UniFortune Financial Leasing (Shanghai) Corporation (note ii)	PRC, 2014	RMB 1,360,000,000	100%	100%	Leasing, PRC
Haitong UT Leasing HK Limited	Hong Kong, 2017	USD 232,433,665	100%	100%	Leasing, Hong Kong
Penglai Hengshi Properties Limited (note i)	PRC, 2018	RMB 15,000,000	95%	95%	Government outsourcing businesses, PRC
Longyao County Hengjing Engineering Project Management Co., Ltd. (note i)	PRC, 2018	RMB 37,608,500	90%	90%	PPP project management, PRC
Longyao County Yutong Engineering Project Management Co., Ltd. (note i)	PRC, 2018	RMB 65,151,880	90%	90%	PPP project management, PRC
Tonggu County Dingxin Engineering Project Management Co., Ltd. (note i)	PRC, 2019	RMB 50,000,000	73.9%	73.9%	PPP project management, PRC
Le'an County Dingxin Engineering Project Management Co., Ltd. (note i)	PRC, 2019	RMB 214,661,100	75%	75%	PPP project management, PRC
Qimen County Dingxin Engineering Project Management Co., Ltd. (note i)	PRC, 2020	RMB 165,072,820	85%	N/A	PPP project management, PRC
Gui'an UT Financial Leasing (Shanghai) Co., Ltd. (Note 52)	PRC, 2016	RMB 1,500,000,000	100%	40%	Leasing, PRC
Indirectly held:					
Haitong Unitrust No.1 Limited	Ireland, 2016	USD1	100%	100%	Aircraft leasing, PRC (note iii)

## Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

### 51. PARTICULARS OF SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Place and date of incorporation/ establishment	Registered capital	Equity interest held by the Company		Principal activities/ place of operation
			At December 31, 2020	2019	
Haitong UT Leasing Irish Holding Corporation Limited	Ireland, 2017	USD1	100%	100%	Aircraft related business, Ireland
Haitong Unitrust No.2 Limited	Ireland, 2017	USD1	100%	100%	Aircraft leasing, PRC (note iii)
Haitong Unitrust No.3 Limited	Ireland, 2017	USD1	100%	100%	Aircraft leasing, Philippines (note iii)
Haitong Unitrust No.4 Limited	Ireland, 2017	USD1	100%	100%	Aircraft leasing, Philippines (note iii)
Haitong Unitrust No.5 Limited	Ireland, 2017	USD1	100%	100%	Aircraft leasing, Mexico (note iii)
Haitong Unitrust No.6 Limited	Ireland, 2017	USD1	100%	100%	Aircraft leasing, Mexico (note iii)
Haitong UT Leasing Irish Finance Limited	Ireland, 2018	USD1	100%	100%	Financial service on aircraft related business, Ireland
Shanghai Dingjie Construction Development Co., Ltd.	PRC, 2018	RMB 20,000,000	100%	100%	Government outsourcing business and PPP project management, PRC
Haitong UT HK 1 Limited	Hong Kong, 2018	USD1	100%	100%	Aircraft Leasing, Qatar (note iii)
Haitong UT HK 2 Limited	Hong Kong, 2018	USD1	100%	100%	Aircraft Leasing, Qatar (note iii)
Haitong UT HK 3 Limited	Hong Kong, 2018	USD1	100%	100%	Aircraft Leasing, Indonesia (note iii)
Haitong UT HK 4 Limited	Hong Kong, 2018	USD1	100%	100%	Aircraft Leasing, Indonesia (note iii)
Haitong UT HK 5 Limited	Hong Kong, 2018	USD1	100%	100%	Aircraft Leasing, PRC (note iii)
Haitong UT HK 6 Limited	Hong Kong, 2018	USD1	100%	100%	Aircraft Leasing, PRC (note iii)
Haitong UT HK 7 Limited	Hong Kong, 2018	USD1	100%	100%	Aircraft Leasing, PRC (note iii)
Haitong UT HK 8 Limited	Hong Kong, 2018	USD1	100%	100%	Aircraft Leasing, PRC (note iii)
Haitong UT HK 9 Limited	Hong Kong, 2018	USD1	100%	100%	Financial service on aircraft related business, Hong Kong
Haitong UT HK 10 Limited	Hong Kong, 2018	USD1	100%	100%	Financial service on aircraft related business, Hong Kong

# Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

## 51. PARTICULARS OF SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Place and date of incorporation/ establishment	Registered capital	Equity interest held by the Company		Principal activities/ place of operation
			At December 31, 2020	2019	
Haitong UT HK 15 Limited	Hong Kong, 2019	USD 1	100%	100%	Aircraft Leasing, Malaysia (note iii)
Haitong UT HK 16 Limited	Hong Kong, 2019	USD 1	100%	100%	Aircraft Leasing, Malaysia (note iii)
Haitong UT HK 17 Limited	Hong Kong, 2019	USD 1	100%	100%	Aircraft Leasing, PRC (note iii)
Haitong Unitrust No.1 Leasing (Tianjin) Corporation	PRC, 2019	RMB 100,000	100%	100%	Aircraft Leasing, PRC (note iii)
Haitong Unitrust No.2 Leasing (Tianjin) Corporation	PRC, 2019	RMB 100,000	100%	100%	Aircraft Leasing, PRC (note iii)
Haitong UT Holding Limited	Hong Kong, 2017	USD 1,000,000	100%	100%	Leasing, Hong Kong

note i: During the year ended December 31, 2020, the subsidiaries of the Company received capital injection of RMB34,596 thousand from their minority shareholders (2019: RMB14,304 thousand). The capital injections from the above minority shareholders were recognised as non-controlling interests.

note ii: In December, 2020, Haitong UniFortune Financial Leasing (Shanghai) Corporation has changed the Chinese name from “海通恒信融資租賃(上海)有限公司” to “海通恒運融資租賃(上海)有限公司”, and changed the English name from “Haitong UniTrust Financial Leasing (Shanghai) Corporation” to “Haitong UniFortune Financial Leasing (Shanghai) Corporation”.

note iii: Place of operation represents the location of the lessee in aircraft leasing business.

As at December 31, 2020 and 2019, the subsidiaries of the Group which are established in the PRC are all limited liability companies registered under the PRC law.

As at December 31, 2020 and 2019, none of the subsidiaries had issued any debt securities at the end of the year.

## 52. ACQUISITION OF A SUBSIDIARY

In September, 2020, the Company entered into an agreement to acquire the 60% equity interest of Gui'an UT from Guian Financial Investment for a cash consideration of RMB950,000,000. The acquisition has been accounted for as acquisition of business using the acquisition method and Gui'an UT became a subsidiary of the Company subsequently. Gui'an UT is principally engaged in finance lease business.

No material acquisition-related costs have been recognised as an expense in the current year.

## Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

### 52. ACQUISITION OF A SUBSIDIARY (CONTINUED)

#### Assets acquired and liabilities assumed at the date of acquisition

	Fair Value RMB'000
Cash and bank balances	137,398
Finance lease receivables	2,362,338
Receivables arising from sale and leaseback arrangements	212,729
Property and equipment	1,087
Intangible assets	725
Right-of-use assets	7,026
Deferred tax assets	81,978
Other assets	82,601
Borrowings	(537,308)
Financial assets sold under repurchase agreements	(579,000)
Accrued staff costs	(5,105)
Income tax payable	(16,735)
Other liabilities	(165,045)
<b>Net assets</b>	<b>1,582,689</b>

The finance lease receivables acquired with a fair value of RMB2,362,338 thousand at the date of acquisition had present value of RMB2,686,489 thousand. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounting to RMB324,151 thousand.

The receivables arising from sale and leaseback arrangements acquired with a fair value of RMB212,729 thousand at the date of acquisition had present value of RMB216,490 thousand. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounting to RMB3,761 thousand.

	Amount RMB'000
Fair value of net assets	1,582,689
Less: Cash consideration paid	(950,000)
Fair value of the Group's interests in a joint venture before the acquisition	(633,076)
<b>Difference recognized in profit or loss</b>	<b>(387)</b>

The consideration transferred approximated to the recognised amounts of net assets acquired at the date of acquisition, the difference was recognised in profit or loss and no goodwill raised on this acquisition.



# Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

## 52. ACQUISITION OF A SUBSIDIARY (CONTINUED)

### Net cash outflow on acquisition of a subsidiary

	Amount RMB'000
Cash consideration paid	950,000
Less: Bank balances and cash acquired	(137,398)
	812,602

### Impact of acquisition on the results of the Group

Included in the Group's profit for the year is a loss of RMB4,802 thousand attributable to the additional business generated by Gui'an UT since the date of acquisition to the end of the reporting period.

Had the acquisition of Gui'an UT been completed on January 1, 2020, total revenue for the year of the Group from continuing operations would have been RMB8,091,370 thousand, and profit for the year from continuing operations would have been RMB1,055,476 thousand. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2020, nor is it intended to be a projection of future results.

## 53. THE IMPACT OF COVID-19

The domestic economy continued steady recovery and GDP growth rate has been back to positive territory in the second half of the year due to strict prevention measures taken throughout the country. At present, the Group's operation is generally stable and Covid-19's impact on business activities and asset quality have been minimized. The directors of the Company have fully considered the impact of Covid-19 when evaluating the ECL. The Group will continue monitoring and assessing the impact of Covid-19 and actively take measures to mitigate any future impact that might be caused by Covid-19.

## 54. SUBSEQUENT EVENTS

On February 26, 2021, Haitong Capital Co., Ltd. ("Haitong Capital") and Haitong Innovation Securities Investment Co., Ltd. ("Haitong Innovation") entered into a share transfer agreement. Haitong Capital transferred all the shares (2,440,846,824 domestic shares) it holds on the Company to Haitong Innovation. On March 18, 2021, Haitong Capital and Haitong Innovation conducted the procedures for the share transfer through China Securities Depository and Clearing Corporation Limited. Haitong Capital and Haitong Innovation are wholly-owned subsidiaries of Haitong Securities Co., Ltd., so the equity transfer will not affect the cumulative indirect shareholding percentage of Haitong Securities in the Company.

On March 30, 2021, the Company entered into a purchase and sale framework agreement with Haitong Securities, pursuant to which the Company agreed to sell and Haitong Securities agreed to purchase a property from the Company at a total consideration of RMB1,435 million.