海通恒信國際融資租賃股份有限公司
Haitong Unitrust International Financial Leasing Co., Ltd.

*(A joint stock company incorporated in the People's Republic of China with limited liability)*
**(Stock Code: 1905)**

# INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2021

The board of directors (the "**Board**") of Haitong Unitrust International Financial Leasing Co., Ltd. (the "**Company**") hereby announces the unaudited interim results of the Company and its subsidiaries for the six months ended June 30, 2021. The Audit Committee of the Board of the Company has reviewed the interim results. This announcement complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcement of interim results. The printed version of the Company's 2021 interim report will be dispatched to the shareholders of the Company in due course and available for viewing on the websites of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and of the Company at www.utfinancing.com.

By order of the Board
**Haitong Unitrust International Financial Leasing Co., Ltd.**
**DING Xueqing**
*Chairman*

Hong Kong, August 26, 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 the 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 for many years. The Group has also pursued the operating strategies of "cross-border thinking, promoting innovative development, strengthening our capacity and grasping business opportunities". Based on its customer strategy of maintaining a balanced customer base, the Group has provided tailored services to a wide range of customers, including LMEs, MSE & retail customers. We have continued to provide comprehensive financial services to customers in transportation & logistics, industrial sector, infrastructure, construction, health care and other areas by implementing the best practices of investment banking and strengthening the collaboration with our parent company, financial institutions and business ecosystem partners. We have formed a competitive advantage with unique securities firm characteristics, including coordinated allocation of resources and assets and balanced growth of business scale and income.

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

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

# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Mr. DING Xueqing (Chairman of the Board)

Ms. ZHOU Jianli

### Non-executive Directors

Mr. REN Peng

Ms. HA Erman

Mr. LI Chuan

Mr. WU Shukun

Mr. ZHANG Shaohua

### Independent Non-executive Directors

Mr. JIANG Yulin

Mr. YAO Feng

Mr. 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)

Mr. CHEN Xinji

Mr. HU Zhangming

## JOINT COMPANY SECRETARIES

Mr. FU Da

Ms. SO Shuk Yi Betty (ACG, ACS)

## AUTHORIZED REPRESENTATIVES

Mr. DING Xueqing

Ms. SO Shuk Yi Betty (ACG, ACS)

# Corporate Information

## LEGAL ADVISORS

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

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

## AUDITOR

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

## 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

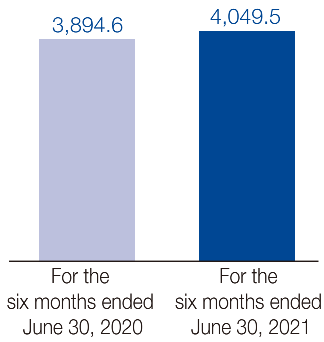
June 3, 2019

# Financial Summary

## For the six months ended June 30, 2021

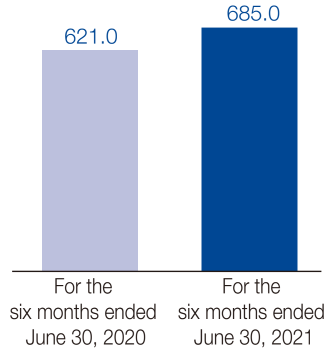
### Total revenue
RMB in millions

4,049.5




### Profit for the period
RMB in millions

685.0



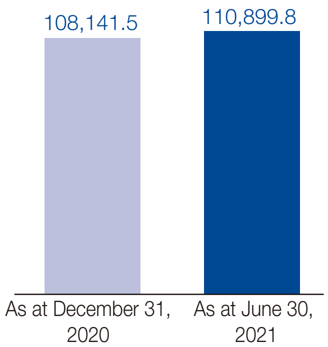

### Basic earnings per share
RMB in yuan/share

0.08

## As at June 30, 2021

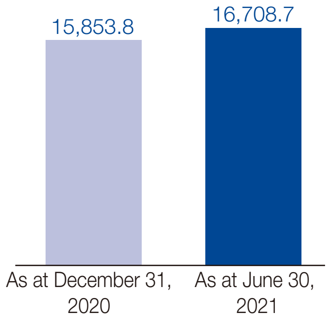
### Total assets
RMB in millions

110,899.8




### Total equity
RMB in millions

16,708.7




### Net assets per share
RMB in yuan/share

1.80

### Net interest margin
For the six months ended June 30

| 2020 | 2021 |
|---|---|
| 3.13% | 3.39% |

### Net interest spread
For the six months ended June 30

| 2020 | 2021 |
|---|---|
| 2.70% | 2.95% |

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

| 2020 | 2021 |
|---|---|
| 8.18% | 8.64% |

### Average yield of interest-earning assets
For the six months ended June 30, 2021

6.90%

### Asset-liability ratio
As at June 30, 2021

84.93%

### NPA ratio
As at June 30, 2021

1.08%

# Financial Summary

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

| | For the six months ended June 30, | | |
|---|---|---|---|
| | 2021 | 2020 | Changes |
| | (RMB in millions, except percentages) | | |
| Total revenue | 4,049.5 | 3,894.6 | 4.0% |
| Total revenue and other income, gains or losses | 4,238.7 | 4,113.9 | 3.0% |
| Interest expenses | (1,748.2) | (1,825.3) | (4.2%) |
| Total expenses | (3,324.0) | (3,300.9) | 0.7% |
| Profit before income tax | 914.7 | 813.0 | 12.5% |
| Income tax expenses | (229.7) | (192.0) | 19.6% |
| Profit for the period | 685.0 | 621.0 | 10.3% |
| Earnings per share attributable to ordinary shareholders of the Company (RMB yuan/share) | | | |
| — Basic | 0.08 | 0.07 | |
| — Diluted | N/A | N/A | |
| **Profitability indicators** | | | |
| Return on average assets[(1)] | 1.25% | 1.21% | |
| Weighted average return on net assets[(2)] | 8.64% | 8.18% | |
| Cost-to-income ratio[(3)] | 12.66% | 10.97% | |
| Profit margin before tax and provision[(4)] | 43.97% | 44.29% | |
| Net profit margin[(5)] | 16.92% | 15.94% | |
| **Profitability indicators of assets** | | | |
| Average yield of interest-earning assets[(6)] | 6.90% | 7.09% | |
| Of which: finance lease business[(7)] | 7.08% | 7.37% | |
| Average cost of interest-bearing liabilities[(8)] | 3.95% | 4.39% | |
| Net interest spread[(9)] | 2.95% | 2.70% | |
| Net interest margin[(10)] | 3.39% | 3.13% | |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

| | As at June 30, 2021 | As at December 31, 2020 | Changes |
|---|---|---|---|
| | (RMB in millions, except percentages) | | |
| **Non-current assets** | 49,353.9 | 52,279.2 | (5.6%) |
| Receivables from finance lease business[note] | 38,915.6 | 40,883.6 | (4.8%) |
| Property and equipment | 5,618.5 | 7,154.2 | (21.5%) |
| **Current assets** | 61,545.9 | 55,862.3 | 10.2% |
| Receivables from finance lease business[note] | 43,879.7 | 42,742.3 | 2.7% |
| **Total assets** | 110,899.8 | 108,141.5 | 2.6% |
| **Current liabilities** | 50,284.4 | 48,362.6 | 4.0% |
| Borrowings | 22,932.6 | 22,205.2 | 3.3% |
| Bonds payable | 18,899.5 | 18,408.9 | 2.7% |
| **Total equity** | 16,708.7 | 15,853.8 | 5.4% |
| Equity attributable to owners of the Company | | | |
| — Ordinary shareholders | 14,832.4 | 14,278.3 | 3.9% |
| — Other equity instrument holders | 1,801.8 | 1,523.8 | 18.2% |
| Non-controlling interests | 74.5 | 51.7 | 44.1% |
| **Non-current liabilities** | 43,906.7 | 43,925.1 | 0.0% |
| Borrowings | 21,359.0 | 21,796.4 | (2.0%) |
| Bonds payable | 15,120.4 | 13,951.1 | 8.4% |
| **Net assets per share (RMB Yuan/share)** | 1.80 | 1.73 | |
| **Solvency indicators** | | | |
| Asset-liability ratio[11] | 84.93% | 85.34% | |
| Gearing ratio[12] | 468.69% | 481.66% | |
| **Asset quality indicators** | | | |
| NPA ratio[13] | 1.08% | 1.10% | |
| Allowance coverage ratio for NPAs[14] | 273.35% | 255.16% | |

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

# Financial Summary

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

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

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

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

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

(6) Calculated by dividing interest income by the average balance of interest-earning assets on an annualized basis. Interest income is the sum of (i) income from finance lease business, (ii) factoring interest income, and (iii) entrusted loan and other loan interest income. Interest-earning assets consist of receivables from finance lease business, factoring receivables, entrusted loans and other loans (excluding assets related to other business such as operating leasing business). Average balances are calculated based on balances as at the end of last year and the end of the current period. In this Report, the balances of interest-earning assets used in such calculation represent the balance of receivables from finance lease business, factoring receivables and entrusted loans and other loans before deduction of allowances for impairment losses.

(7) Calculated by dividing income from finance lease business by the average balance of receivables from finance lease business on an annualized basis. The average balance of receivables from finance lease business represents the average balance of receivables from finance lease business before deduction of allowances for impairment losses as at the end of last year and the end of the current period.

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

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

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

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

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

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

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

# Chairman's Statement

**Ding Xueqing**
*Chairman and Executive Director*

In the first half of 2021, as the COVID-19 pandemic continued to evolve, the global economy showed recovery despite volatility. The economic performances of major developed countries and emerging countries varied significantly and were imbalanced. 2021 marked the first year of the launch of the 14th Five-Year Plan as the Chinese government has expedited its efforts in deploying new development layout, adjusting its economic structure and speeding up the economic transformation and upgrade, which would promote the sustainable and stable economic recovery and high-quality development. In the face of the complicated and ever-changing domestic and foreign environments, we strictly adhered to our strategies and promptly responded to the changes. While focusing on providing leasing services and serving the real economy, we also insisted on our "practical, pioneering, robust and excellent" operation concepts. We strived for innovation and upgrade and evolving ourselves into a professional, group-based and international enterprise with informationalized operation so as to facilitate the high-quality and sustainable development of the Company.

In the first half of 2021, in strict accordance with the national strategies and policies, we explored new models for the integration of industry and financing. We continuously optimized our business directions to ensure the stable operation, higher profitability and better asset quality of the Company. For the six months ended June 30, 2021, the total revenue of the Group amounted to RMB4,049.5 million, representing an increase of 4.0% compared with the same period last year. The profit for the period of the Group amounted to RMB685.0 million, representing an increase of 10.3% compared with the same period last year. As at June 30, 2021, the total assets and total equity of the Group amounted to RMB110,899.8 million and RMB16,708.7 million, respectively, representing increases of 2.6% and 5.4%, respectively, compared with December 31, 2020. As at June 30, 2021, our NPA ratio and allowance coverage ratio

# Chairman's Statement

for NPAs were 1.08% and 273.35%, respectively, reflecting the fact that our overall risk exposure was controllable. In the first half of 2021, the Group invested RMB29,170 million in its business. In the first half of 2021, the Group further expanded its financing channels to effectively reduce its financing costs. The Group recorded a financial withdrawal of RMB34,120 million, including a direct financial withdrawal of RMB18,110 million, accounting for 53.1% of the total amount. The average cost of interest-bearing liabilities was 3.95%, representing a decrease of 0.44 percentage points compared with the same period last year.

We have grasped new opportunities arising from the 100th Anniversary of the Founding of the Chinese Communist Party and formulated plans for our new development. We strived to promote high-quality and sustainable development of the Group based on our excellent market insights. In order to seize the opportunities arising from the introduction of the "Made in China 2025" initiative, we established the Advanced Manufacturing Business Department in the first half of 2021 which provides comprehensive financial services to create a business ecosystem that leads the innovative development of the industry. Efforts were also made to form a vertically integrated industrial chain comprising electronic consumption, new energy manufacturing, new energy vehicles and operation, smart grids, new materials and other industries. With an aim to further promote the financial digitalization and fin-tech innovation, we established the Fin-tech Department to develop professional technology services and provide strong support for the implementation of strategies and business development of the Company. We also continued to deepen the reform in fin-tech of the Company and promote the digitalization and smart technological development of operation and management of the Company. The Asset Transaction and Structured Financing Department was established to enrich our financial product offerings and accelerate the turnover of quality leasing assets through exploring and developing asset transfer, asset assignment, consultation services, structured financing and other business models. As such, the overall financial performance of the Company was enhanced. We were also able to retain high-end and high-quality customers and establish a leasing business ecosystem, which allowed us to gain resources advantages. Moreover, we completed the integration of MSE Subsidiary in response to the government policies of supporting the development of the real economy with inclusive finance and assisting in the healthy growth of MSEs. In the first half of 2021, with our satisfactory operation results and management, we were honored as one of the "Top 100 Enterprises in Huangpu, Shanghai for 2020" (上海市黃浦區2020年度百強重點企業) and were recognized as "Shanghai Civilized Enterprise from 2019 to 2020" (2019–2020 年度上海市文明單位) by the Office of Shanghai Municipal Committee for Cultural and Ethical Progress.

Since 2021, we have paid close attention to the changes in regulations and policies regarding financial leasing industry and strictly abided by compliance requirements. To align with the regulatory requirements, we took various measures for optimizing our management system and promoting the integration of our business with government policies. Adhering to our prudent risk management philosophy, we further optimized our comprehensive risk management system, under which risk management measures were incorporated into all of our operation processes for the continuous enhancement of our overall risk management level and proactive risk control capabilities. In addition, we have been committed to our social responsibilities as a role model enterprise of the community. We also stepped up our support for industrial poverty alleviation, ecological and environmental protection, financing of MSEs as well as the business development of other underprivileged sectors in the community. Financial measures were taken to support industrial poverty alleviation with a view to facilitating local industry development and employment, income growth and public service enhancement.

# Chairman's Statement

Currently, the financial leasing industry in China is growing steadily. As the traditional leasing market maintains its steady growth while new leasing market and new sectors show huge potential, the leasing industry remains robust. In addition, the introduction of industry policies and regulatory requirements and the continuous improvement of external environment have brought new opportunities for the high-quality development of the Group. In the second half of 2021, we will continue to focus on providing leasing services, supporting the development of the industry and serving the real economy. We will also pay close attention to the economic situation and carry out in-depth industry research. Through innovating our business model and promoting the application of fin-tech, we aim to promote the professional and high-quality development of the Company and become the financial leasing company that leads industry innovation with the characteristics of capital market.

At last, on behalf of the Board, I would like to express my sincere gratitude to our shareholders, customers, business partners and other parties for their trust and support. Through cooperating and working together, we will be able to create win-win situation, share achievements and growth and create greater value for our shareholders, employees, government and other parties in the community.

**DING Xueqing**
*Chairman and Executive Director*
August 26, 2021

# Management Discussion and Analysis

## 1. OPERATION OVERVIEW

### Macroeconomy

In the first half of 2021, while the pandemic around the world subsided as a result of accelerated vaccination, it remained uncertain in some regions due to new variants of the coronavirus. The global economy continued to recover amidst fluctuations. As the global production resumed its pre-pandemic level and the recovery of the consumption accelerated, supply and demand rebounded in a less desynchronized manner. Driven by the rapid recovery of industrial production, industrial chains, supply chains and logistics, global commodities trade was well-positioned for recovery. With the surge in commodities prices, manufacturers in many countries suffered multiple blows such as increased raw material prices, higher shipping costs and exchange rate appreciation, leading to a significant increase in regional inflation pressure. Monetary easing policies and expectation of the launch of tightening policies in major developed economies caused certain fluctuations in the global financial market. The increasingly fragile internal and external economic environments of emerging markets and developing countries showed signs of significant differentiation and imbalance.

In the first half of 2021, in the face of complicated and ever-changing domestic and foreign environments, all the Chinese government departments at different levels implemented the decisions and plans of the Central Committee of the Communist Party and the State Council, and accurately carried out the macroeconomic policies. The economy of China continued to recover steadily with rebounding demand for production. Employment and prices were stable in general. New economic drivers grew rapidly while their quality and efficiency improved steadily. Major market players were expected to have positive prospects. Key macro indicators remained within reasonable ranges. The economic development showed a stable and improving trend. In the first half of 2021, the GDP of China amounted to RMB53.21675 trillion, representing a year-on-year increase of 12.7%, which reflected a stable recovery. In terms of industries, the output growth of the primary, secondary and tertiary industries recorded year-on-year increases of 7.8%, 14.8% and 11.8%, respectively. As industrial production grew steadily, the output growth of major manufacturing sectors recorded a year-on-year increase of 15.9%. The output growth of high-tech manufacturing industry recorded a year-on-year increase of 22.6%.

In respect of the financial environment, in the first half of 2021, the financial system continued to consolidate and coordinate the pandemic prevention and control measures as well as the significant strategic performance of economic and social development efforts. The prudent monetary policies remained flexible and moderate. Reasonable and adequate liquidity was maintained while the funding structure of financial institutions was optimized. With stable macro leverage ratio, interest rates of loans were further reduced. To further strengthen the adaptability and inclusiveness of the financial system and financial services, greater efforts were made to support the high-quality development of financing. As at the end of June 2021, the balance of broad money (the “M2”) amounted to RMB231.78 trillion, representing a year-on-year increase of 8.6%. The balance of social financing amounted to RMB301.56 trillion, representing a year-on-year increase of 11%. In the first half of the year, the amount of new loans amounted to RMB12.76 trillion, representing a year-on-year increase of RMB667.7 billion. The comprehensive financing cost of the real economy remained stable with a slight decline. In the first half of the year, interest rate of new loan contracts of MSEs was 5.18%, representing a year-on-year decrease of 0.3 percentage points. Interest rate of the loan contracts of the manufacturing industry was 4.13%, representing a year-on-year decrease of 0.25 percentage points.

## Regulatory Environment

Since 2021, local government departments have successively issued regulatory requirements for the financial leasing industry, providing financial leasing companies with guidelines on business operation, risk monitoring indicators and other aspects. Off-site supervision of financial leasing companies was strengthened through a regular reporting mechanism. In August 2021, Shanghai Municipal Financial Regulatory Bureau issued the "Provisional Measures for the Supervision and Administration of Financial Leasing Companies in Shanghai" (《上海市融資租賃公司監督管理暫行辦法》). Based on the actual situation of the financial leasing industry in Shanghai, 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 in May 2020 was refined. Regulations on leased assets, business scopes and regulatory indicators under the provisional measures were consistent with the requirements of the CBIRC. The issuance of local regulatory measures and the implementation of industry regulatory work will help promote lawful and compliant operation of financial leasing companies with an aim to achieve the standardized, orderly and high-quality development of the industry.

## Industry Conditions

In the first half of 2021, 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, the development of the financial leasing industry continued to slacken following the slowdown in 2020. As at March 31, 2021, the total number of financial 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 12,157, representing an increase of only one domestic pilot financial leasing company as compared to the end of 2020. The balance of finance lease contracts in China amounted to approximately RMB6,360.0 billion, representing a decrease of 2.2% as compared to the end of 2020.

Despite short-term challenges, the financial leasing industry in China is still growing stably and remains resilient in the medium- to long-term. On the one hand, benefiting from the economic growth, industrial structure upgrade and New Infrastructure Construction in China, the traditional leasing industry maintains its stable growth. On the other hand, with the vigorous development of emerging industries in the new era of the 14th Five-Year Plan, new leasing markets and new segments have huge potential for development. Moreover, as local regulatory requirements for the financial leasing industry were issued and specific regulatory measures were implemented, the industry will enter a new stage of development. Leasing companies with abnormal operation or less standardized governance will be rapidly integrated or eliminated. Industry concentration will further increase, creating a more favorable operation environment and greater development opportunities for large financial leasing companies with sound governance, compliant operation and exceptional competitive edges.

## 2. DEVELOPMENT REVIEW

In the first half of 2021, actively adapting to the new development trend of the industry, the Group focused on its principal business of finance leasing to serve the real economy and continued to promote high-quality and sustainable development of the Company. Scale and revenue of the Company achieved stable growth.

### Enriched business models with multiple measures to support the steady growth of scale and revenue

In the first half of 2021, pursuant to the new trend of industry regulation and capitalizing on its keen market sense, the Group established the Advanced Manufacturing Business Department, Asset Transaction and Structured Financing Department, and integrated MSE Subsidiary to further enrich its business models and expand product lines while ensuring the stable and compliant business operation, so as to support the steady growth of scale and revenue. As at June 30, 2021, the total assets and total equity of the Group amounted to RMB110,899.8 million and RMB16,708.7 million, respectively, representing increases of 2.6% and 5.4%, respectively, as compared with December 31, 2020. For the six months ended June 30, 2021, the total revenue of the Group amounted to RMB4,049.5 million, representing an increase of 4.0% compared with the same period last year. The average yield of interest-earning assets was 6.90%. The profit for the period of the Group amounted to RMB685.0 million, representing an increase of 10.3% compared with the same period last year. The weighted average return on net assets was 8.64%.

### Serving the real economy and further optimized assets and investment structure

Adhering to its objective of serving the real economy and promoting its strategies of “One Body, Two Wings” and “One Big and One Small”, the Group focused on the development of localized industries, further optimized its assets and investment structure, and strengthened the investment in key industries such as infrastructure, healthcare, industrials and construction industries. The Group actively responded to the government policy by using fin-tech to improve services for micro-, small- and medium-sized enterprises and retail customers, and further supported the healthy development of high-quality customers. In the first half of 2021, the Group invested RMB29,170 million in its business.

### Diversified and stable financing channels to maintain stable assets and liabilities structure and reduce financing cost effectively

The Group continued to develop diversified and stable financing channels and introduced innovative financing methods and instruments to effectively support the business operation of the Group. Through improving the management of liquidity risk and liabilities structure, the Group was able to improve the utilization efficiency of funds and match the duration of assets and liabilities. As at June 30, 2021, the Group established credit relationships with 77 financial institutions and signed accumulative credit lines of approximately RMB116.9 billion, of which the unused credit balance was approximately RMB49.2 billion. In respect of innovative financing instruments, the Group successfully issued the first asset-backed commercial notes with factoring assets as underlying assets, which expanded the financing channels in the capital market for the supply chain financial business of the Group.

In the first half of 2021, the Group recorded a financing withdrawal of RMB34.12 billion. Indirect financing withdrawals of RMB16.01 billion were realized through channels such as syndicated loans, bank acceptance bills and bank bilateral loans, accounting for 46.9% of the total financing amount; direct financing of RMB18.11 billion were realized through issuance of ABS of RMB5.7 billion, ultra short-term financing bonds of RMB7.5 billion, public equity corporate bonds of RMB1.8 billion, private placement notes of RMB1.0 billion, medium-term notes of RMB1.14 billion and asset-backed notes of RMB0.97 billion, accounting for 53.1% of the total financing amount. With diversified financing channels, the financing cost of the Group continued to decrease. In the first half of 2021, average cost of interest-bearing liabilities was 3.95%, representing a decrease of 0.44 percentage points as compared with the same period last year.

### Optimized comprehensive risk management mechanism and enhanced proactive risk management

The Group continued to optimize its comprehensive risk management mechanism and enhance whole-process risk management and control as well as proactive risk management, 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, response initiatives for and mitigation of risk events and increased efforts in asset disposals. Through risk data inquiry, the Group carried out early risk prevention and control to further enhance proactive risk identification capabilities. In May 2021, the Company officially completed the direct connection of data reporting program with the second-generation credit information system of the PBOC, becoming the only financial leasing company that has granted access to the second-generation credit information system, which facilitated effective credit investigation for the high-quality development of various businesses of the Company.

The Company focused on supporting the introduction of projects in information technology, advanced manufacturing, energy saving and environmental protection and other emerging sectors, while maintaining the support on sectors of higher risk tolerance, such as infrastructure and construction. 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 June 30, 2021, the NPA ratio and allowance coverage ratio for NPAs were 1.08% and 273.35%, respectively.

# Management Discussion and Analysis

### Strengthening compliance management of all employees and continuously improving compliance governance

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 the first half of 2021, the Group continued to pay close attention to the changes in regulatory policies on financial leasing industry and proactively took measures to be in compliance with regulatory requirements. The Group also optimized the system management mechanism to strengthen the integration of business and policies in accordance with its business development. The Group attached great importance to training of basic compliance knowledge for all employees, issued "Monthly Regulatory News" (《監管動態月報》) regularly and conducted research and study on the regulatory system, to further cultivate compliance values and culture. As such, 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.

### Optimizing structure to improve management efficiency and reducing costs while enhancing efficiency

We have consolidated our organizational structure, optimized our business directions and further promoted the reform of branches in different categories and levels to enhance management efficiency and professional level of our departments, branches and subsidiaries. We have established the fin-tech department and increased investment in the research and development of systems and platforms, data application and intelligent IoT in order to effectively improve management and handling efficiency of fin-tech in respect to business introduction, credit approval, risk assessment, contract signing, fund usage and asset management. We also enhanced the application of technology to improve customer satisfaction and service quality and reduce operating cost. Capital management and cost control were strengthened through matching financing capacity with our business. The idle funding cost was lowered with strict control on expenses and the input-output efficiency was further improved, realizing cost reduction while enhancing our efficiency.

## 3. OPERATION OUTLOOK

With the growing anticipation that regular monetary policies of major economies will resume, the fluctuation in the global financial market will further increase in the second half of 2021. The rise in the price of commodities has a great impact on global supply, resulting in higher inflation pressure on production. In the face of the implementation of the goal of "emission peak and carbon neutrality" (碳達峰、碳中和), there will be difficulties in business transformation and adjustment and a greater inflation pressure due to the increase in energy prices in the short term. External uncertainties are also expected to increase. In response to the complicated and challenging global environment, the Chinese government will continue the implementation of a consistent, stable and sustainable macroeconomic policy and a more effective and proactive financial policy based on its optimized economic structure. A flexible, moderate and sound monetary policy will be maintained in favor of the development of the real economy and key areas and in support of the recovery of both small- and medium-sized enterprises and struggling industries. The Chinese government will further consolidate the initiatives of "Six Stabilizations" and "Six Supports" to support the upgrade of different industries and enhance the strategic technology of China. Efforts will also be made to boost the development of industrial Internet and expedite the digitalization of industries. To achieve emission peak and carbon neutrality, new energy will be developed. Integration between consumption and investment will also be encouraged in order to strike a better balance between supply and demand. In the long run, China will remain cautious when developing its economy and will fully and precisely uphold its new development principles which emphasize the supply-side structural reform. The formation of a new development pattern, which is based on domestic general-circulation, along with international and domestic dual-circulation, will be accelerated through structural adjustment and upgrade. As such, new domestic dynamics will be formed to boost the high-quality growth and sustainability of the economy during the "14th Five-Year Plan" period.

In the second half of 2021, the Group will pay close attention to the domestic and international economic conditions and continue to adhere to the principle of serving the real economy with financial services. The Group will be committed to its development strategies, expansion of business coverage and integration and optimization of resources allocation. It will also improve risk and assets management and apply fin-tech to its business. The Group will capitalize on the structure adjustment and upgrade in the industry to strengthen its competitive business foundation. Leveraging the opportunity arising from government policies such as "emission peak and carbon neutrality", the Group will cater for the increasingly diverse needs of its customers. It will also continue to consolidate its leading position and competitive strengths through the following strategies to promote professional, high-quality and sustainable development of the Company.

## Implementing the "one big and one small" customer development strategy 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 synergy with Haitong Securities and our strategic cooperative partners for greater mutual benefits. We will also share our customer resources, improve the value chain of customer services and continue to develop the ecosystem for customers. These initiatives will enable us to provide diverse and integrated services for LME, MSE and retail customers. As such, we will be able to maintain a balanced growth in terms of scale and profitability and achieve credit risk diversification.

In respect of large-sized enterprise customers and large projects, we will grasp the opportunity arising from infrastructure investment, higher domestic demands and upgrade of manufacturing industry brought by the domestic general-circulation and the "14th Five-Year Plan" to expand our projects in key industries based on our business features and strengthens. We will also further tap into the financing needs of enterprises in the infrastructure, healthcare, manufacture and construction industries while developing projects in respect of information technology, advanced manufacturing, new energy vehicles, energy saving and environmental protection, high-end and inclusive healthcare services. Meanwhile, we will strengthen business cooperation with leading companies in the industrials sector by leveraging our industry expertise. We intend to continue to build supporting systems to promote the development and execution of large customers and large projects.

In respect of the MSE & retail business, we will improve our cooperation with leading suppliers in the industry and explore business resources from upstream and downstream industries in line with the business model of our finance lease services under certain business scenarios. In response to the government policies of China, we will actively identify high-quality MSEs which have strong competitiveness and continue to develop our equipment leasing business targeting MSEs in support of their sustainable growth. In addition, we plan to create new growth momentum based our inclusive finance business empowered by fin-tech. In order to provide efficient financial services for our customers, we will further promote the launch of electronic deals and streamline our business procedures.

## Expanding sales and service network by "One Body, Two Wings" business development model and strengthening 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 departments, branches and subsidiaries. We will deepen the construction of localized marketing network, strengthen business guidance and establish business teams. In order to build up a regional professional leasing brand, we will deepen the reform and regulate the division of management of our 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 departments 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, electronic information, 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 focus on their development in key strategic industries of the respective regions by aligning with the features of regional economies. Based on our researches on the local development trend of the financial leasing industry, we will further develop business with local characteristics. Furthermore, we will continue to optimize our operation management system, enhance the coordination and collaboration between our departments and local teams and focus on serving high-quality customers such as leading companies in the industrials sector and industrial group to improve the efficiency of our sales and marketing.

Our subsidiary and MSE Subsidiary, will respond positively to the national policy call to provide financial support for MSEs and capitalize on the upgrade of the manufacturing industry to keep abreast of policies and opportunities in the market and extend the use of operating resources. We will support the development of the real economy with inclusive finance and assist in the healthy growth of MSEs. We will strengthen the concept of “finance empowered by technology” by further maximizing the coordination between fin-tech and MSE business operation and exploring possibilities of the application of fin-tech in customer experience enhancement, customer and operation analysis and assets monitoring and alert, so as to establish a data base for MSE customers. Continuous efforts will be made to optimize our business model and competitiveness of our products, explore the application of supply chain finance and improve and replicate cooperation model with leading companies such as Huawei. In respect of high-end equipment manufacturing, engineering machinery and MSE healthcare businesses, we will consolidate cooperation with major manufacturers and enhance their stickiness so as to provide a driving force for the scalable development of MSE enterprises.

We will upgrade and optimize existing products based on the nature of retail finance and enhance the application of big data in customer acquisition, risk identification and post-lease management by the using of data accumulation and external technology resources. In response to the new regulatory trend, we will adjust our retail strategies to maintain our risk prevention, comply with regulations and enhance the effectiveness of our risk management. We will also offer choices of commercial vehicle types and brands according to the characteristics of regional policies and economies to enhance their province-based customer acquisition and risk management capabilities. Stronger collaboration between our headquarters and leading manufacturers will be made. A hierarchical and classified management system of providers and dealers will be improved, and the integrated management of asset selection before lease and asset maintenance after lease will be strengthened to achieve stable growth and improve return through refined management.

## Deepening the operating concept of investment banks and promoting professionalized and specialized business development

By complying with the best practices of investment banking and continuing our in-depth research on the market demand and business opportunities during the "14th Five-Year Plan" period, we will steer the direction of our business upgrade and restructuring, 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. Capitalizing on our investment banking competitive edges, we will strengthen our synchronized development with Haitong Securities in various business aspects in a bid to provide diverse and comprehensive financial services for our customers. While developing our major industry sectors, we will establish diversified assets trading and marketing system by strengthening the collaboration with financial institutions. We will also issue structured financing products in due course, enrich business model, speed up trading of premium assets and improve financial indicators of the Company. With specialized business development, innovative products and services will be provided according to our insightful research on new industries, new opportunities and customers' demand in order to enhance the specialized business development and level of differentiation. We will strengthen our service competitiveness and customer loyalty in an effort to expand the revenue sources of the Company. To capture the opportunities arising from the new economic development pattern under domestic general-circulation and international and domestic dual-circulation, digitalization of industries, as well as other policies for strengthening the strategic technology capability of China, we will create an innovative business model for the development of a professional and specialized leasing business. We will expand our business coverage in emerging industries, including manufacturing, information technology and energy saving and environmental protection, and actively provide financing services to companies engaged in data centre service. 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 will improve our risk management system with the combined effort of optimizing our risk model and enhancing the overall risk management and control. By strengthening asset inspection and review, our risk control, elimination and awareness will be further enhanced. We will strictly maintain our bottom line for risk control to secure assets of the Company while enhancing the allocation and management of assets.

In order to safeguard our assets and ensure the smooth business operation of the Company, we will continue to ensure that the risk exposure of our operation is predictable, controllable and acceptable. The main target of our overall risk management is to facilitate reasonable business allocation and sustainable development. We will continue to refine and delineate the functions and responsibilities of Risk Management Committee of the Board, investment decision committee, risk management department, credit assessment department, compliance department, internal control department and other relevant departments to implement synchronized management of key processes in our risk management practices. We will take greater initiative in risk management and compliance management, pay close attention to the changes in regulatory environment and strictly implement industry regulatory policies and systems. These efforts will enable us to optimize our risk monitoring, prevention and response measures and improve our risk management and compliance governance. In order to strengthen our internal control and enhance the risk management level of the Group, we will continue to optimize the management and investment systems of subsidiaries so as to achieve effective and synchronised management, investment and corporate governance and compliance of subsidiaries.

We will continue to adopt the management approach which combines dynamic control and quantified management. Application of risk model and big data in risk control system will be promoted to further enhance the quantified management of "quantifying and pricing risk". We also plan to implement differentiated risk management measures according to the characteristics of different businesses, types of customers, industries, regions and risks. We will continue to improve our credit risk management methods and tools, stress testing, risk monitoring system and risk reporting system.

### Strengthening liquidity management, optimizing financing structure and enriching financing channels

Based on the comprehensive risk management system, 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 continue to refine the internal systems and processes related to assets and liabilities management. Integration between financing plans and funding plans will be stepped up. We will also ensure that our funds can meet the safety, liquidity and profitability requirements and improve dynamic funding management efficiency. We will continue to upgrade funding management system to strengthen the streamlined, informatized and smart technological management of funding settlement and control. In the meantime, we will actively select the investment channels for our idle funds and increase returns on funds within our risk tolerance.

We will further expand the scope and level of cooperation with financial institutions to open up diversified and stable financing channels. It is also our commitment to broaden funding sources and effectively reduce financing cost in an effort to provide solid support for the sustainable business development of the Group. We will continue to enhance our net capital, optimize financing structures, match financing capacity with our business and reasonably allocate direct financing and indirect financing. We will actively explore various direct financing instruments, including ABS, asset-backed notes, corporate bonds, short-term commercial papers, ultra-short-term commercial papers and medium-term notes. On the other hand, we will duly launch new domestic and overseas financing instruments in accordance with changes in the financing environment and business development needs.

### Accelerating fin-tech development to continuously improve the level of digitalization and the application of smart technologies

We will explore the application of technology, including artificial intelligence, big data and the Internet of Things in decision-making to promote the fin-tech deployment. Fin-tech will be applied in all aspects of our operation management to comprehensively enhance the online, automatic, mobile and Internet information systems of the Company. Through the iterative optimization of the information technology system, we will continuously improve the operation efficiency of the system. We will also use automatic early warning, big data analysis, system monitoring and other functions to effectively improve the operation management efficiency and operation quality of the Company. Moreover, we will actively develop the application of the Internet of Things and use the technology to improve our streamlined management of leased assets. Striving to build and develop platforms of big data and the Internet of Things, we will introduce artificial intelligence to the front, middle and back office systems. Our system-assisted decision-making of risk control will be based on big data analysis and mining. We will also pursue higher operation efficiency in terms of business exploration, risk management, human resources management, funding management, business management and asset management in order to further enhance the digitalization level and the application of smart technologies of operation management of the Company.

### Refining human resources management system and facilitating harmonic and sustainable development

Our experienced and visionary management team and advanced talent management system are important competitive advantages which can ensure our continual growth and essential competitiveness as a leader in the PRC financial leasing industry. Through continuous optimization of our talent competency model, we will identify professional elites with diverse backgrounds. By implementing team talent cultivation projects, we will iterate and optimize our staff structure to maintain sufficient talent reserve and well-coordinated echelons at all levels within the Company. The human resources management system of the Company will be further refined to improve the training management system. We will create a more diverse, open and fair professional career platform for employees so as to lay a solid foundation for our talent pool in line with the long-term growth of the Company. Competitiveness of our remuneration system and employee incentive system will be further enhanced to attract, retain and motivate top quality talents in the industry to join the Company, which in turn will enhance talent cohesion. We will continue to implement the position system and promotion mechanism. Efforts will be made to establish career growth platform and reasonable and unimpeded career development path. We will also optimize long-term performance assessment and remuneration incentive system. These initiatives will enable our employees to achieve their career development and benefit from the long-term development of the Company, unleash the energy and dedication of human resources, and improve the sense of accomplishment and fulfilment of employees.

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

### Overview of condensed consolidated statement of profit and loss

Our total revenue amounted to RMB4,049.5 million for the six months ended June 30, 2021, representing an increase of 4.0% from RMB3,894.6 million for the same period last year. Our profit for the period increased by 10.3% to RMB685.0 million for the six months ended June 30, 2021 from RMB621.0 million for the same period last year.

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

| | For the six months ended June 30, | | |
|---|---|---|---|
| | **2021** | 2020 | Changes |
| | **(RMB in millions)** | | |
| Total revenue | **4,049.5** | 3,894.6 | 4.0% |
| Net investment losses or gains | **(9.4)** | 11.8 | (179.7%) |
| Share of results of a joint venture | **—** | (6.2) | N/A |
| Other income, gains or losses | **198.6** | 213.7 | (7.1%) |
| Total revenue and other income, gains or losses | **4,238.7** | 4,113.9 | 3.0% |
| Depreciation and amortisation | **(240.2)** | (158.9) | 51.2% |
| Staff costs | **(345.2)** | (308.0) | 12.1% |
| Interest expenses | **(1,748.2)** | (1,825.3) | (4.2%) |
| Other operating expenses | **(124.7)** | (96.7) | 29.0% |
| Impairment losses under expected credit loss model | **(826.1)** | (907.1) | (8.9%) |
| Other impairment losses | **(39.6)** | (4.9) | 708.2% |
| Total expenses | **(3,324.0)** | (3,300.9) | 0.7% |
| Profit before income tax | **914.7** | 813.0 | 12.5% |
| Income tax expenses | **(229.7)** | (192.0) | 19.6% |
| Profit for the period | **685.0** | 621.0 | 10.3% |
| Earnings per share attributable to ordinary shareholders of the Company (Expressed in RMB Yuan per Share) | | | |
| — Basic | **0.08** | 0.07 | |
| — Diluted | **N/A** | N/A | |

## Revenue

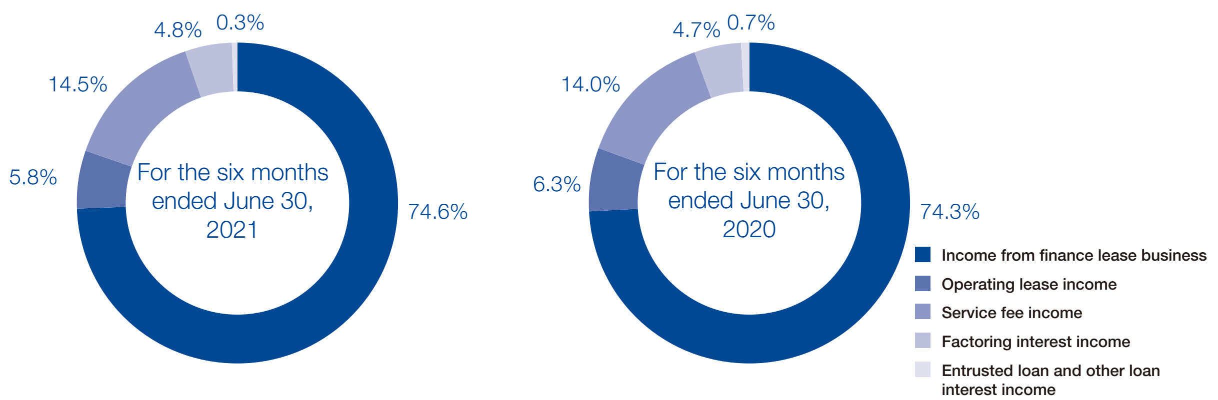
Our total revenue increased by 4.0% to RMB4,049.5 million for the six months ended June 30, 2021 from RMB3,894.6 million for the same period last year, which was mainly due to the increases in our income from finance lease business, service fee income and factoring interest income.

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

| | For the six months ended June 30, | | | | |
|---|---|---|---|---|---|
| | **2021** | **% of total** | 2020 | % of total | Changes |
| | (RMB in millions, except percentages) | | | | |
| Income from finance lease business(note) | **3,019.7** | **74.6%** | 2,891.9 | 74.3% | 4.4% |
| Operating lease income | **234.8** | **5.8%** | 246.9 | 6.3% | (4.9%) |
| Service fee income | **588.2** | **14.5%** | 547.1 | 14.0% | 7.5% |
| Factoring interest income | **194.6** | **4.8%** | 182.0 | 4.7% | 6.9% |
| Entrusted loan and other loan interest income | **12.2** | **0.3%** | 26.7 | 0.7% | (54.3%) |
| Total revenue | **4,049.5** | **100.0%** | 3,894.6 | 100.0% | 4.0% |

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

### Percentage of total revenue



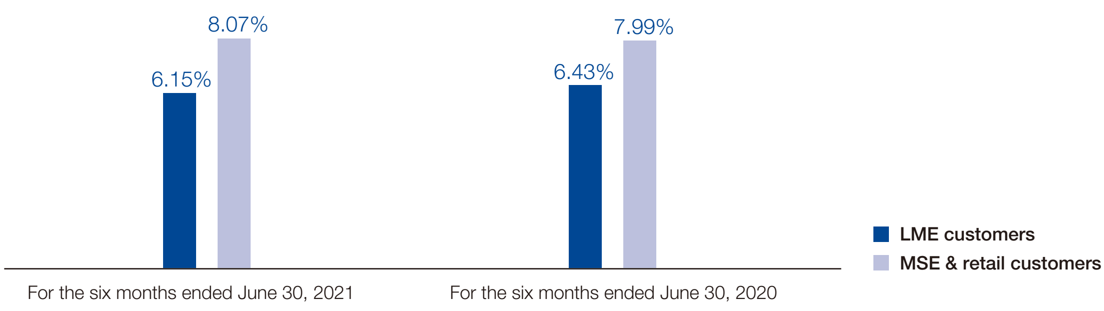
For the six months ended June 30, 2021, income from finance lease business, service fee income and factoring interest income of the Group increased steadily. Entrusted loan and other loan interest income decreased mainly due to the adoption of prudent business policies by the Group.

**Customer analysis**

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

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

## Average yield(Note)




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

For the six months ended June 30, 2021, the average yield of the Group was 6.90%, representing a decrease of 0.19 percentage points as compared with 7.09% for the same period last year. The yield of MSE and retail customers increased by 0.08 percentage points as compared with the same period last year. The yield of LME customers decreased, which was mainly due to the fact that the Group optimized the industrial layout and supported the development of the real economy and duly adjusted our profit expectation from end-customers according to the policy of the government.

**Industry analysis**

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

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

| | For the six months ended June 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2021 | | | 2020 | | |
| | Average balance of interest-earning assets(1) | Income(2) | Comprehensive yield(3) | Average balance of interest-earning assets(1) | Income(2) | Comprehensive yield(3) |
| | (RMB in millions, except percentages) | | | | | |
| Transportation & logistics | 29,397.5 | 1,197.6 | 8.15% | 32,968.9 | 1,370.7 | 8.32% |
| Industrials(4) | 25,029.2 | 1,042.9 | 8.33% | 20,952.2 | 1,001.7 | 9.56% |
| Infrastructure | 12,164.8 | 537.6 | 8.84% | 7,994.8 | 293.5 | 7.34% |
| Construction | 9,755.4 | 397.8 | 8.15% | 8,792.9 | 358.7 | 8.16% |
| Healthcare | 4,778.5 | 217.9 | 9.12% | 4,107.2 | 175.0 | 8.52% |
| Others(5) | 12,381.4 | 420.9 | 6.80% | 12,643.3 | 448.1 | 7.09% |
| Total | 93,506.8 | 3,814.7 | 8.16% | 87,459.3 | 3,647.7 | 8.34% |

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

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

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

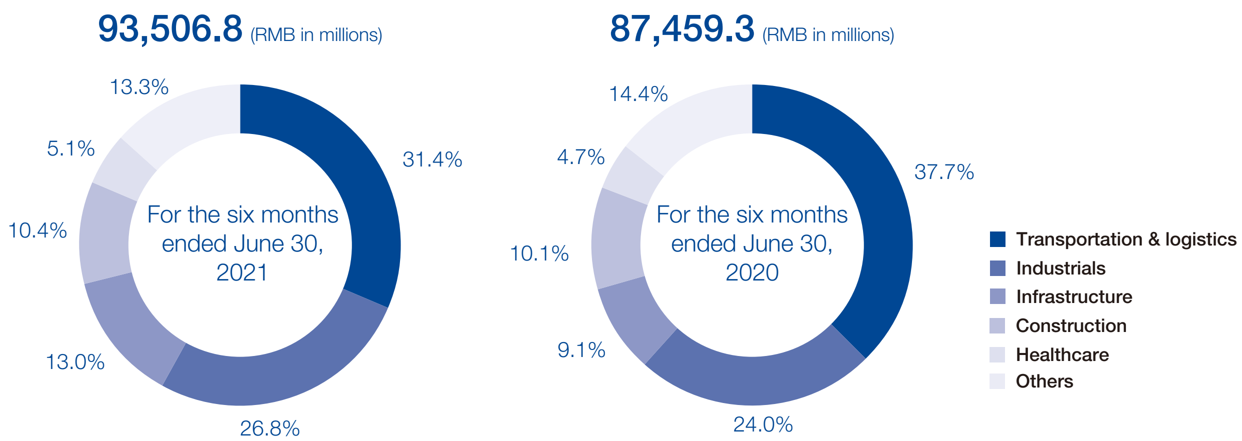
(4) Consists primarily of (i) manufacturing, (ii) new energy and clean energy, and (iii) information transmission, software and IT services.

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

**Analysis by average balance of interest-earning assets**

The average balance of interest-earning assets of the Group increased by 6.9% to RMB93,506.8 million for the six months ended June 30, 2021 from RMB87,459.3 million for the six months ended June 30, 2020. The average balance of interest-earning assets for infrastructure, industrials, healthcare and construction increased significantly by 52.2%, 19.5%, 16.3% and 10.9%, respectively, as compared with the same period last year.

## Average balance of interest-earning assets




**Analysis by comprehensive yield**

The comprehensive yield of the Group decreased by 0.18 percentage points to 8.16% for the six months ended June 30, 2021 as compared with 8.34% for the same period last year. The decrease was mainly attributable to the increase in the asset scale of LME customers as a result of the introduction of high-quality customers through offering preferential treatments based on our prudent and proactive risk management approaches as well as optimized business layout.

*Transportation & logistics*

Grasping the opportunities arising from the rapid growth of the vehicle leasing industry in China, we focused on the development of transportation & logistics business, including commercial vehicle leasing, passenger vehicle leasing and modern logistics business. (1) We lease commercial vehicles, primarily heavy trucks and light trucks, to private business owners and MSEs in the 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 finance lease services through our local sales team in 30 provinces across the country and strive for establishing strategic cooperation relationship with mainstream commercial vehicle manufacturers and their leading dealers. (2) We cooperate with operational vehicle leasing companies which are engaged in travel services to provide them with efficient and compliant operational vehicle financial services, which in turn will empower the travel service industry with our financial services.(3) We provide services to customers in the modern logistics supply chain and upstream and downstream sectors of the auto industry. The equipment we lease to modern logistics customers includes road transportation automobiles, construction vehicles and special vehicles.

For the six months ended June 30, 2021, the average balance of interest-earning assets attributable to our business in the transportation & logistics industry amounted to RMB29,397.5 million, accounting for 31.4% of the average balance of interest-earning assets of the Group and representing a decrease of 10.8% as compared with RMB32,968.9 million for the same period last year.

For the six months ended June 30, 2021, the income from transportation & logistics industry amounted to RMB1,197.6 million, representing a decrease of 12.6% as compared with RMB1,370.7 million for the same period last year. The decrease was mainly due to the decrease in average balance of interest-earning assets as the Group actively slowed down the business investment in the transportation & logistics industry and duly adjusted the product system in view of the market changes of the industry, resulting in a decrease of the income from such segment as compared with the same period last year.

The comprehensive yield of the transportation & logistics industry decreased from 8.32% for the six months ended June 30, 2020 to 8.15% for the six months ended June 30, 2021. The decrease in comprehensive yield of the transportation & logistics industry was mainly due to the intense market competition, and the efforts of the Group in optimizing the product portfolio of this industry, raising the barriers to customer entry and maintaining its bottom line for risk control.

*Industrials*

We are committed to serving China's real economy in accordance with Chinese government's economic and industrial policies, such as the 14th Five-Year Plan, supply-side structural reform and the "Made in China 2025" initiative. We offer comprehensive financing services for customers in 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 advanced manufacturing, clean energy, new material, consumer electronics, and communication technologies. We target customers with growth potential and recognized by capital market and encouraged by government policies. Our industrial customers consist primarily of large- and medium-sized state-owned enterprises at central and local levels, listed companies, innovative privately-owned enterprises engaging in manufacturing and emerging strategic industries and outstanding micro-, small- and medium-sized enterprises with growth potential. In addition, we have established Haitong Data Industry Alliance, Development and Innovation Industry Alliance of Listed Companies and other cooperation alliances. We have gradually built a win-win industrial ecosystem to share resources with our partners in order to expand our business scale in emerging industries and improve our competitive strength.

For the six months ended June 30, 2021, the average balance of interest-earning assets attributable to our business in the industrials industry amounted to RMB25,029.2 million, accounting for 26.8% of the average balance of interest-earning assets of the Group and representing an increase of 19.5% as compared with RMB20,952.2 million for the same period last year.

For the six months ended June 30, 2021, the income from the industrials industry amounted to RMB1,042.9 million, representing an increase of 4.1% as compared with RMB1,001.7 million for the same period last year, which was primarily due to the fact that the Group pursued its aspirations to serve the real economy and expanded the business in industrial area such as advanced manufacturing and micro- and small-sized manufacturing.

The comprehensive yield of the industrials industry decreased from 9.56% for the six months ended June 30, 2020 to 8.33% for the six months ended June 30, 2021, which was primarily due to the fact that the Chinese government stepped up the measures of its macroeconomic policies in support of the advanced manufacturing and small- and micro-sized industrial enterprises. 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 business with higher-level customers.

*Infrastructure*

We provide financing services to enterprises engaging in the construction and operation of infrastructure of transportation (such as civil aviation, highways, ports, and urban and intercity public transit), urban services, water, environmental protection and energy. We have established an extensive customer base in infrastructure. Leveraging our extensive experience and quality services, we 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 Public-Private-Partnership model ("PPP Model"). As PPP Model is used for large infrastructure projects and usually generates stable cash flows over a long term, we are committed to providing the project companies and other project participants with finance lease and factoring services. We have established subsidiaries in Shandong, Jiangxi, Hebei and other provinces and provided financing services for municipal, highway, industrial park and river treatment projects led by the government through PPP Models and government outsourcing business models.

For the six months ended June 30, 2021, the average balance of interest-earning assets attributable to our business in the infrastructure industry amounted to RMB12,164.8 million, accounting for 13.0% of the average balance of interest-earning assets of the Group and representing an increase of 52.2% as compared with RMB7,994.8 million for the same period last year.

For the six months ended June 30, 2021, the income from infrastructure industry amounted to RMB537.6 million, representing an increase of 83.2% as compared with RMB293.5 million for the same period last year. The increase was mainly because the Group further strengthened its support for the infrastructure industry in response to the opportunities arising from the resumption of infrastructure construction in various regions after the pandemic.

The comprehensive yield of the infrastructure industry increased from 7.34% for the six months ended June 30, 2020 to 8.84% for the six months ended June 30, 2021, which was primarily due to the fact that we capitalized on our group advantage and provided a wide range of services including finance lease business through optimizing transaction structure and designing comprehensive financial products in view of the increasing demand for business transformation and industrialized operation.

*Construction*

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

For the six months ended June 30, 2021, the average balance of interest-earning assets attributable to our business in the construction industry amounted to RMB9,755.4 million, accounting for 10.4% of the average balance of interest-earning assets of the Group and representing an increase of 10.9% as compared with RMB8,792.9 million for the same period last year.

For the six months ended June 30, 2021, the income from the construction industry amounted to RMB397.8 million, representing an increase of 10.9% as compared with RMB358.7 million for the same period last year. The increase was mainly due to the expansion of our business in this industry.

The comprehensive yield of the construction industry was 8.15% for the six months ended June 30, 2021, which remained stable as compared with the same period last year.

*Healthcare*

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

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

In addition to serving healthcare institutions, we also have extensive cooperation with leading pharmaceutical distribution and medical device companies to provide financial services along their supply chains. Furthermore, we provide financing 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 six months ended June 30, 2021, the average balance of interest-earning assets attributable to our business in the healthcare industry amounted to RMB4,778.5 million, accounting for 5.1% of the average balance of interest-earning assets of the Group and representing an increase of 16.3% as compared with RMB4,107.2 million for the same period last year.

For the six months ended June 30, 2021, the income from the healthcare industry amounted to RMB217.9 million, representing an increase of 24.5% as compared with RMB175.0 million for the same period last year. The increase was primarily due to higher investment in the industry and the increase in the number of finance lease projects in response to the policies and guidelines of the Chinese government.

The comprehensive yield of the healthcare industry increased from 8.52% for the six months ended June 30, 2020 to 9.12% for the six months ended June 30, 2021, primarily because we optimized the structure of our healthcare products to cater for the diverse needs of customers. As a result, the comprehensive yield of the new business increased.

*Other Industries*

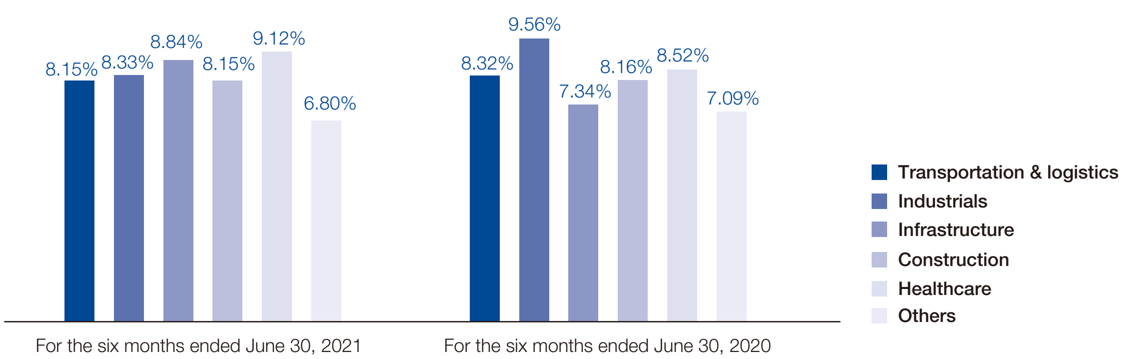
In addition to serving the abovementioned industries, we also provide finance lease, factoring and advisory services to high-quality customers in those industries, such as paper and printing, agriculture, food, mining, wholesale and retail, chemical industry, education, textile and other emerging industries.

For the six months ended June 30, 2021, the average balance of interest-earning assets attributable to our business in other industries was RMB12,381.4 million, accounting for 13.3% of the average balance of interest-earning assets of the Group and representing a decrease of 2.1% as compared with RMB12,643.3 million for the same period last year.

For the six months ended June 30, 2021, the income from other industries amounted to RMB420.9 million, representing a decrease of 6.1% as compared with RMB448.1 million for the same period last year. The decrease was primarily due to the adjustment in the investment in other industries according to the economic conditions of industry segments.

The comprehensive yield of other industries decreased from 7.09% for the six months ended June 30, 2020 to 6.80% for the six months ended June 30, 2021, which was primarily attributable to greater support of the macroeconomic policies of China for the real economy, overall stable financing conditions of the credit market and stable market interest with a slight decline.

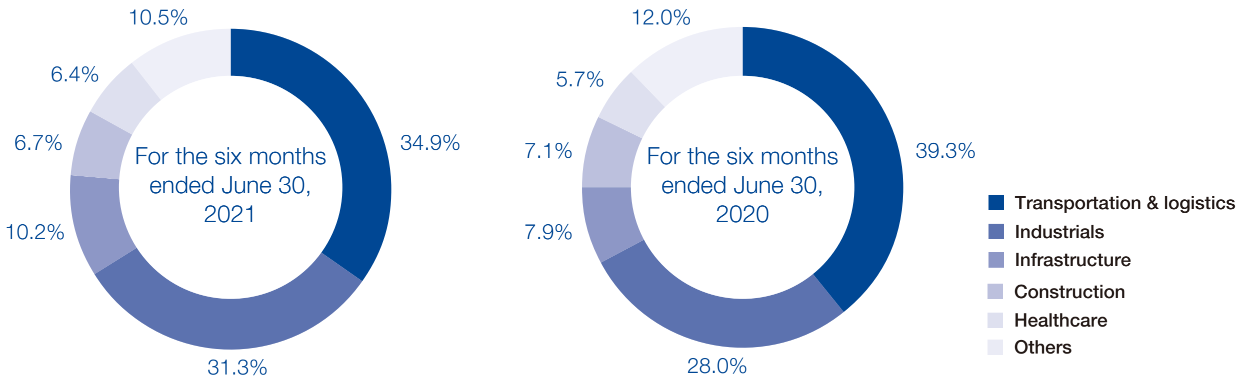
## Comprehensive yield by industry



**Income from finance lease business**

Income from finance lease business of the Group for the six months ended June 30, 2021 increased by 4.4% to RMB3,019.7 million as compared with the same period last year. Income from finance lease business accounted for 74.6% of the total revenue of the Group.

## Income from finance lease business by industries




The Group proactively adapts to the recent economic development, insists on serving the real economy, deeply develops localized segments, continuously optimizes the structure of asset allocation, strengthens the investment in key industries such as infrastructure, healthcare, industrials, and steps up support for the small- and micro-sized manufacturing enterprises. For the six months ended June 30, 2021, income from finance lease business of infrastructure, healthcare and industrials increased steadily by 36.0%, 18.5% and 16.9%, respectively, as compared with the same period last year.

**Operating lease income**

Our operating lease income decreased by 4.9% to RMB234.8 million for the six months ended June 30, 2021 as compared with the same period last year. The decrease was mainly due to the decrease in rental income from certain foreign airlines resulting from the continuous impact of COVID-19 worldwide. For the six months ended June 30, 2021, the net lease yield of the aircraft operating lease business of the Group was 5.32%.

As at June 30, 2021, the Group owned seventeen aircraft (including nine Airbus narrow-body aircraft, two Airbus wide-body aircraft and six Boeing narrow-body aircraft) with total net carrying amount of approximately US$840.0 million (or approximately RMB5,426.3 million). In addition, as at June 30, 2021, the Group undertook to purchase a total of two aircraft with an estimated market value of approximately US$81.67 million (or approximately RMB527.60 million). For the six months ended June 30, 2021, the Group did not dispose of any aircraft assets. The below table set forth the details of aircraft lease business:

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

#### Factoring interest income

We provide factoring services to companies in various industries, including construction, transportation & logistics, infrastructure and industrials, etc. Our factoring interest income increased by 6.9% to RMB194.6 million for the six months ended June 30, 2021 as compared with the same period last year.

#### Entrusted loan and other loan interest income

Our entrusted loan and other loan interest income decreased by 54.3% to RMB12.2 million for the six months ended June 30, 2021 as compared with the same period last year. The decrease was mainly because of the prudent approach of the Group in entering into new entrusted loans and other loans business.

#### Service fee income

We provide various advisory services to finance lease customers and other customers. The Group's service fee income increased by 7.5% to RMB588.2 million for the six months ended June 30, 2021 as compared with the same period last year. Our service fee income was mainly generated from infrastructure, transportation & logistics, construction and industrial industries, etc. The Group further develops new customers in advanced manufacturing industry and emerging industries by fulfilling different requirements for our consultation services in terms of contents and forms from high-end customers. The Group will improve its ability of consultation services as some of our consultation services had become more sophisticated, so as to improve satisfaction of customers.

#### Other income, revenue or loss

For the six months ended June 30, 2021, other income, revenue or loss of the Group decreased by 7.1% to RMB198.6 million as compared with the same period last year. The decrease was mainly due to the exchange loss arising from the changes in exchange rate, losses on disposal of repossession of finance lease assets and the decrease in interest income from financial assets held under resale agreements.

### Expenses

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

| | For the six months ended June 30, | | |
|---|---|---|---|
| | **2021** | 2020 | Changes |
| | (RMB in millions) | | |
| Depreciation and amortisation | **240.2** | 158.9 | 51.2% |
| Staff costs | **345.2** | 308.0 | 12.1% |
| Interest expenses | **1,748.2** | 1,825.3 | (4.2%) |
| Other operating expenses | **124.7** | 96.7 | 29.0% |
| Impairment losses under expected credit loss model | **826.1** | 907.1 | (8.9%) |
| Other impairment losses | **39.6** | 4.9 | 708.2% |
| Total expenses | **3,324.0** | 3,300.9 | 0.7% |

The total expenses of the Group amounted to RMB3,324.0 million for the six months ended June 30, 2021, which remained stable as compared with the same period last year.

#### Depreciation and amortisation

The depreciation and amortisation of the Group increased by 51.2% to RMB240.2 million for the six months ended June 30, 2021 from RMB158.9 million for the same period last year, which was mainly due to the increase in average balance of property and equipment as compared with the same period last year.

#### Staff costs

The staff costs of the Group increased by 12.1% to RMB345.2 million for the six months ended June 30, 2021 from RMB308.0 million for the same period last year, primarily due to the termination of the relief policy since 2021 in respect of social insurance for staff during the pandemic in 2020, and the increase in headcount to support our overall business growth resulted in the increase of staff costs as compared with the same period of last year.

**Interest expenses**

The interest expenses of the Group decreased by 4.2% to RMB1,748.2 million for the six months ended June 30, 2021 from RMB1,825.3 million for the same period last year. The decrease in the interest expenses was mainly due to the optimization of debt structure of the Group through developing diversified financing channels and innovative financing instruments in view of the relatively stable macro monetary policy.

**Other operating expenses**

Other operating expenses of the Group increased by 29.0% to RMB124.7 million for the six months ended June 30, 2021 from RMB96.7 million for the same period last year. The increase was mainly due to the fact that travelling and marketing expenses resumed to normal level as the pandemic precautionary measures became part of daily routines in China whereas the travelling and marketing activities had been affected in the same period last year as a result of the pandemic, and our intermediary fees also increased.

**Impairment losses under expected credit loss model**

Impairment losses under expected credit loss model of the Group decreased by 8.9% to RMB826.1 million for the six months ended June 30, 2021 from RMB907.1 million for the same period last year. The decrease was mainly due to the improvement of repayment capabilities of customers as the prevention and control of COVID-19 in China achieved strategic progress and domestic society and economy recovered steadily.

## Profit for the period

Profit for the period of the Group increased by 10.3% to RMB685.0 million for the six months ended June 30, 2021 from RMB621.0 million for the same period last year. The increase was primarily due to the fact that the Group has been committed to providing leasing services and serving the real economy while further expanding its business and optimizing debt structure to reduce cost and enhance efficiency. It was also due to the decrease in impairment losses under expected credit loss model as compared with the same period last year as the COVID-19 has been basically under control in China and the Group improved its asset management.

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

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

| | For the six months ended June 30, | |
|---|---|---|
| | **2021** | 2020 |
| | (RMB in millions, except percentages) | |
| Interest income[(1)] | **3,226.5** | 3,100.6 |
| Interest expenses[(2)] | **1,643.5** | 1,730.1 |
| Net interest income | **1,583.0** | 1,370.5 |
| Average balance of interest-earning assets[(3)] | **93,506.8** | 87,459.3 |
| Average balance of interest-bearing liabilities[(4)] | **83,288.2** | 78,780.1 |
| Average yield of interest-earning assets[(5)] | **6.90%** | 7.09% |
| Of which: Finance lease business[(6)] | **7.08%** | 7.37% |
| Average cost of interest-bearing liabilities[(7)] | **3.95%** | 4.39% |
| Net interest spread[(8)] | **2.95%** | 2.70% |
| Net interest margin[(9)] | **3.39%** | 3.13% |

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

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

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

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

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

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

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

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

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

For the six months ended June 30, 2021, the Group recorded net interest spread and net interest margin of 2.95% and 3.39%, respectively, representing increases of 0.25 percentage points and 0.26 percentage points as compared with the same period last year, respectively. The increases were mainly due to the decrease in the average cost of interest-bearing liabilities as the macro monetary policies remained stable and the Group continued to optimize its debt structure, develop diversified financing channels and introduce innovative financing instruments.

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

### Overview of condensed consolidated statement of financial position

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

| | As at June 30, 2021 | As at December 31, 2020 | Changes |
|---|---|---|---|
| | (RMB in millions) | | |
| **Non-current assets** | | | |
| Property and equipment | 5,618.5 | 7,154.2 | (21.5%) |
| Right-of-use assets | 137.5 | 165.0 | (16.7%) |
| Intangible assets | 13.8 | 15.4 | (10.4%) |
| Receivables from finance lease business(note) | 38,915.6 | 40,883.6 | (4.8%) |
| Financial assets at fair value through profit or loss | 419.6 | 326.3 | 28.6% |
| Loans and receivables | 1,197.7 | 1,249.2 | (4.1%) |
| Deferred tax assets | 1,404.0 | 1,541.0 | (8.9%) |
| Other assets | 1,647.2 | 944.5 | 74.4% |
| **Total non-current assets** | 49,353.9 | 52,279.2 | (5.6%) |
| **Current assets** | | | |
| Receivables from finance lease business(note) | 43,879.7 | 42,742.3 | 2.7% |
| Loans and receivables | 6,376.5 | 6,380.9 | (0.1%) |
| Other assets | 2,609.2 | 952.3 | 174.0% |
| Accounts receivable | 63.9 | 36.9 | 73.2% |
| Financial assets held under resale agreements | 600.0 | — | N/A |
| Financial assets at fair value through profit or loss | 694.9 | 572.9 | 21.3% |
| Derivative financial assets | 2.1 | — | N/A |
| Cash and bank balances | 7,319.6 | 5,177.0 | 41.4% |
| **Total current assets** | 61,545.9 | 55,862.3 | 10.2% |
| **Total assets** | 110,899.8 | 108,141.5 | 2.6% |

# Management Discussion and Analysis

| | As at June 30, 2021 | As at December 31, 2020 | Changes |
|---|---|---|---|
| | (RMB in millions) | | |
| **Current liabilities** | | | |
| Borrowings | **22,932.6** | 22,205.2 | 3.3% |
| Derivative financial liabilities | **223.5** | 359.9 | (37.9%) |
| Accrued staff costs | **170.2** | 217.6 | (21.8%) |
| Accounts payable | **300.1** | 30.1 | 897.0% |
| Bonds payable | **18,899.5** | 18,408.9 | 2.7% |
| Income tax payable | **329.1** | 663.9 | (50.4%) |
| Other liabilities | **7,429.4** | 6,477.0 | 14.7% |
| **Total current liabilities** | **50,284.4** | 48,362.6 | 4.0% |
| **Net current assets** | **11,261.5** | 7,499.7 | 50.2% |
| **Total assets less current liabilities** | **60,615.4** | 59,778.9 | 1.4% |
| Equity attributable to owners of the Company | | | |
| — Ordinary shareholders | **14,832.4** | 14,278.3 | 3.9% |
| — Other equity instrument holders | **1,801.8** | 1,523.8 | 18.2% |
| Non-controlling interests | **74.5** | 51.7 | 44.1% |
| **Total equity** | **16,708.7** | 15,853.8 | 5.4% |
| **Non-current liabilities** | | | |
| Borrowings | **21,359.0** | 21,796.4 | (2.0%) |
| Bonds payable | **15,120.4** | 13,951.1 | 8.4% |
| Deferred tax liabilities | **18.7** | 18.3 | 2.2% |
| Other liabilities | **7,408.6** | 8,159.3 | (9.2%) |
| **Total non-current liabilities** | **43,906.7** | 43,925.1 | 0.0% |
| **Total equity and non-current liabilities** | **60,615.4** | 59,778.9 | 1.4% |
| **Net assets per share (RMB yuan/share)** | **1.80** | 1.73 | |

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 2.6% from RMB108,141.5 million as at the end of last year to RMB110,899.8 million as at June 30, 2021.

**Interest-earning Assets**

Our interest-earning assets include receivables from finance lease business and loans and other receivables. As at June 30, 2021, the carrying amount of receivables from finance lease business of the Group was RMB82,795.3 million, which remained stable as compared with the end of last year.

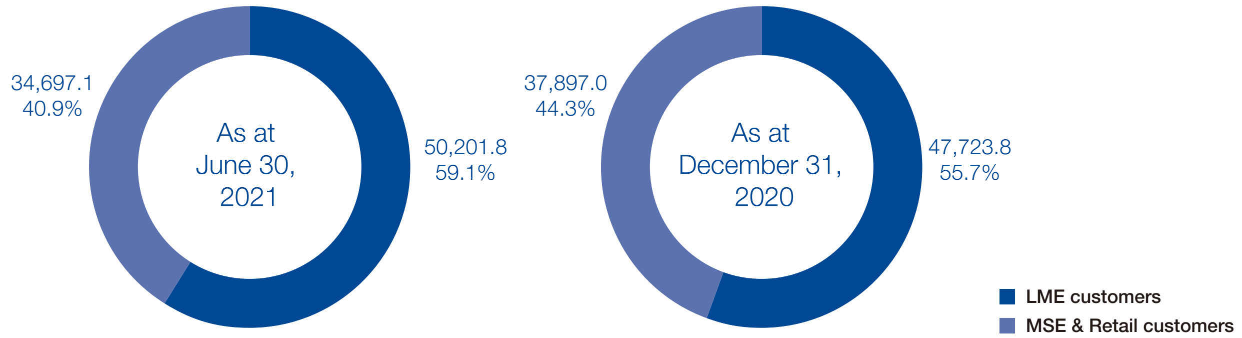
*Receivables from finance lease business*

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

| | As at June 30, 2021 | As at December 31, 2020 | Changes |
|---|---|---|---|
| | (RMB in millions) | | |
| **Gross amount of receivables from finance lease business** | **93,092.5** | 94,218.8 | (1.2%) |
| Less: Unearned income | **(8,193.6)** | (8,598.0) | (4.7%) |
| **Present value of receivables from finance lease business** | **84,898.9** | 85,620.8 | (0.8%) |
| Less: Loss allowance | **(2,103.6)** | (1,994.9) | 5.4% |
| **Carrying amount of receivables from finance lease business** | **82,795.3** | 83,625.9 | (1.0%) |

Customer Analysis

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




(Unit: RMB in millions, except percentages)

As at June 30, 2021, the balance of finance lease receivables from LME customers of the Group increased as compared with the end of last year.

Industry Analysis

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

| | As at June 30, 2021 | | As at December 31, 2020 | |
|---|---|---|---|---|
| | Amount | % of total | Amount | % of total |
| | (RMB in millions, except percentages) | | | |
| Transportation & logistics | 26,072.8 | 30.7% | 31,234.0 | 36.5% |
| Industrials(1) | 24,507.8 | 28.9% | 24,564.7 | 28.7% |
| Infrastructure | 14,278.1 | 16.8% | 8,902.3 | 10.4% |
| Construction | 6,322.3 | 7.4% | 6,013.9 | 7.0% |
| Healthcare | 4,870.0 | 5.7% | 4,673.2 | 5.5% |
| Others(2) | 8,847.9 | 10.5% | 10,232.7 | 11.9% |
| Total | 84,898.9 | 100.0% | 85,620.8 | 100.0% |

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

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

In the first half of 2021, we strived to optimize our asset allocation with a focus on key industries such as infrastructure, healthcare, industrials and construction and leveled up services provided to high-quality corporate customers. As at June 30, 2021, the balance of our receivables from finance lease business from customers in the infrastructure industry increased by RMB5,375.8 million as compared with the end of last year.

Maturity Profile

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

| | As at June 30, 2021 | | As at December 31, 2020 | |
|---|---|---|---|---|
| | Amount | % of total | Amount | % of total |
| | (RMB in millions, except percentages) | | | |
| Within one year | 49,395.9 | 53.1% | 48,015.2 | 51.0% |
| More than one year but not exceeding five years | 43,092.7 | 46.3% | 45,658.7 | 48.5% |
| More than five years | 603.9 | 0.6% | 544.9 | 0.5% |
| Total | 93,092.5 | 100.0% | 94,218.8 | 100.0% |

As at June 30, 2021, the gross amount of receivables from finance lease business due within one year accounted for 53.1% of the total gross amount of receivables from finance lease business of the Group, which slightly increased as compared with the end of last year.

*Loans and Receivables*

Our loans and receivables include factoring receivables and entrusted loans and other loans. As at June 30, 2021, the balance of our factoring receivables was RMB7,457.6 million, which remained stable as compared with the end of last year. The balance of our entrusted loans and other loans was RMB762.0 million, representing a decrease of 4.0% from RMB793.9 million as at the end of last year. The Group entered into loan and receivables business prudently.

**Property and Equipment**

Our property and equipment include equipment held for operating lease business and property and equipment held for administrative purpose. As at June 30, 2021, our equipment held for operating lease business consisted of 17 aircraft. The property and equipment held for administrative purpose of the Group consisted primarily of office buildings, motor vehicles, electronic equipment, office equipment, leasehold improvements and construction in progress.

As at June 30, 2021, the carrying amount of the property and equipment of the Group amounted to RMB5,618.5 million, representing a decrease of 21.5% as compared with RMB7,154.2 million as at the end of last year. The decrease was mainly because the Company entered into the sale and purchase framework agreement with Haitong Securities on March 30, 2021 in order to optimize its asset allocation and maximize the returns to Shareholders, pursuant to which Haitong Unitrust sold an office building to Haitong Securities at a total consideration of RMB1,435 million. The disposal was considered and approved by the independent shareholders at the shareholders' general meeting held on May 15, 2021, and the office building that satisfied the criteria for assets classified as held for sale with a net carrying amount of RMB1,256.0 million was transferred out of property and equipment.

**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 June 30, 2021, the carrying amount of the financial assets at fair value through profit or loss of the Group was RMB1,114.5 million, representing an increase of 23.9% as compared with RMB899.2 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 were recorded as the financial assets at fair value through profit or loss.

**Deferred tax assets**

As at June 30, 2021, the carrying amount of the deferred tax assets of the Group amounted to RMB1,404.0 million, representing a decrease of 8.9% as compared with RMB1,541.0 million as at the end of last year, primarily because the Group completed the tax filing of certain impairment loss for previous periods with the tax authorities in the first half of 2021.

**Cash and Bank Balances**

As at June 30, 2021, the carrying amount of the cash and bank balances of the Group was RMB7,319.6 million, representing an increase of 41.4% as compared with RMB5,177.0 million as at the end of last year. The increase was mainly due to the adjustment made for future operating needs and liquidity.

## Liabilities

In the first half of 2021, the negative impact on economy brought by the COVID-19 was mitigated by the mass launch of vaccines, and the national economy continued to recover steadily. Government authorities, the PBOC, CBIRC and other authorities continued to issue various policies in order to support the development of real economy. Macro currency policies remained stable. In the first half of 2021, the Group put efforts in developing diversified and stable financing channels and further enhanced our relationship with financing channels. We maintained the domestic credit rating of AAA (outlook stable). The Group achieved satisfactory development progress in both direct finance and indirect finance markets. General debt structure has been further improved and funding cost was lowered.

As at June 30, 2021, the Group had total liabilities of RMB94,191.1 million, representing an increase of 2.1% as compared with RMB92,287.7 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 June 30, 2021 | As at December 31, 2020 | Changes |
|---|---|---|---|
| | (RMB in millions) | | |
| **Current liabilities** | | | |
| Borrowings | **22,932.6** | 22,205.2 | 3.3% |
| Derivative financial liabilities | **223.5** | 359.9 | (37.9%) |
| Accrued staff costs | **170.2** | 217.6 | (21.8%) |
| Accounts payable | **300.1** | 30.1 | 897.0% |
| Bonds payable | **18,899.5** | 18,408.9 | 2.7% |
| Income tax payable | **329.1** | 663.9 | (50.4%) |
| Other liabilities | **7,429.4** | 6,477.0 | 14.7% |
| **Total current liabilities** | **50,284.4** | 48,362.6 | 4.0% |
| **Non-current liabilities** | | | |
| Borrowings | **21,359.0** | 21,796.4 | (2.0%) |
| Bonds payable | **15,120.4** | 13,951.1 | 8.4% |
| Deferred tax liabilities | **18.7** | 18.3 | 2.2% |
| Other liabilities | **7,408.6** | 8,159.3 | (9.2%) |
| **Total non-current liabilities** | **43,906.7** | 43,925.1 | 0.0% |
| **Total liabilities** | **94,191.1** | 92,287.7 | 2.1% |

### 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 June 30, 2021, the Group's borrowings amounted to RMB44,291.6 million, which remained stable as compared with the end of last year.

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

| | As at June 30, 2021 | | As at December 31, 2020 | |
|---|---|---|---|---|
| | Amount | % of total | Amount | % of total |
| | (RMB in millions, except percentages) | | | |
| Bank borrowings | 40,812.9 | 92.2% | 39,164.8 | 89.0% |
| Borrowings from the related parties | 1,075.6 | 2.4% | 1,840.2 | 4.2% |
| Borrowings from other financial institutions | 2,259.8 | 5.1% | 2,824.8 | 6.4% |
| Lease liabilities | 143.3 | 0.3% | 171.8 | 0.4% |
| Total | 44,291.6 | 100.0% | 44,001.6 | 100.0% |
| Analyzed as: | | | | |
| Current | 22,932.6 | 51.8% | 22,205.2 | 50.5% |
| Non-current | 21,359.0 | 48.2% | 21,796.4 | 49.5% |
| Total | 44,291.6 | 100.0% | 44,001.6 | 100.0% |

As at June 30, 2021, the current borrowings accounted for 51.8% of the total borrowings, representing a slight increase as compared with the end of last year, reflecting the stable financing strategies and reasonable debt structure.

### Bonds payable

In the first half of 2021, the overall liquidity of the capital market remained reasonable and abundant, while market interest rates remained stable as compared with the end of 2020. 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 stable cost advantage, which effectively secured funds for business growth of the Group.

Bonds payables of the Group include short-term and ultra-short-term commercial papers, asset-backed securities, fixed medium-term notes, corporate bonds, private placement notes and asset-backed notes. As at June 30, 2021, the Group's bonds payable amounted to RMB34,019.9 million, representing an increase of 5.1% as compared with RMB32,360.0 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 June 30, 2021 | | As at December 31, 2020 | |
|---|---|---|---|---|
| | Amount | % of total | Amount | % of total |
| | (RMB in millions, except percentages) | | | |
| Analyzed as: | | | | |
| Current | **18,899.5** | **55.6%** | 18,408.9 | 56.9% |
| Non-current | **15,120.4** | **44.4%** | 13,951.1 | 43.1% |
| Total | **34,019.9** | **100.0%** | 32,360.0 | 100.0% |

**Other liabilities**

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

As at June 30, 2021, the total other liabilities of the Group were RMB14,838.0 million, representing a slight increase as compared with the end of last year.

## Equity

As at June 30, 2021, the Group had a total equity of RMB16,708.7 million, representing an increase of 5.4% from RMB15,853.8 million as at the end of last year. The increase was mainly due to the profit for the period and the issuance of equity instruments (which increased total equity), redemption of equity instruments and dividend and interest distribution (which reduced total equity) of the Group in the first half of 2021.

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

| | As at June 30, 2021 | As at December 31, 2020 | Changes |
|---|---|---|---|
| | (RMB in millions) | | |
| Equity attributable to owners of the Company | | | |
| — Ordinary shareholders | 14,832.4 | 14,278.3 | 3.9% |
| — Other equity instrument holders | 1,801.8 | 1,523.8 | 18.2% |
| Non-controlling interests | 74.5 | 51.7 | 44.1% |
| Total equity | 16,708.7 | 15,853.8 | 5.4% |

## 6. ANALYSIS OF CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

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

| | For the six months ended June 30, 2021 | 2020 | Changes |
|---|---|---|---|
| | (RMB in millions) | | |
| Net cash generated from/(used in) operating activities | 994.7 | (2,470.6) | N/A |
| Net cash generated from/(used in) investing activities | (1,454.9) | (1,859.8) | N/A |
| Net cash generated from/(used in) financing activities | 2,326.2 | 5,864.2 | (60.3%) |
| Net increase in cash and cash equivalents | 1,866.0 | 1,533.8 | 21.7% |

For the six months ended June 30, 2021, net cash inflow from operating activities amounted to RMB994.7 million. Cash flows in operating activities consisted primarily of cash generated from or paid for our finance lease, operating lease, factoring, entrusted loans and other loans, and advisory businesses, as well as related transactions. The cash inflow from operating activities in the current period was mainly due to the recovery of proceeds from previous business, which was higher than the cash outflow in current business investment.

For the six months ended June 30, 2021, net cash outflow in investing activities was RMB1,454.9 million, mainly reflecting the cash paid for (i) the purchase of financial assets held under resale agreement, (ii) the purchase of financial assets at fair value through profit or loss, (iii) the purchase of property and equipment, (iv) payment of restricted deposits, and (v) the purchase of our own asset-backed securities. The aforesaid cash outflow was partially offset by (i) the proceeds from disposal of financial assets held under resale agreements, and (ii) the proceeds from disposal of financial assets at fair value through profit or loss, during the period.

For the six months ended June 30, 2021, net cash inflow from financing activities was RMB2,326.2 million, primarily due to (i) the proceeds from issuances of bonds, (ii) the proceeds from borrowings, (iii) the cash proceeds from issuances of other equity instruments and (iv) the capital injection from non-controlling investors. The aforesaid cash inflow was partially offset by the repayment of borrowings and bonds, redemption of other equity instruments, distribution of other equity instruments and payment for the costs during the period.

## 7. CAPITAL MANAGEMENT

We manage our capital to ensure that the group companies in the Group is able to operate as a going concern by optimizing the structure of the debt and shareholders' equity while maximizing shareholders' return. The objective of our capital management is to ensure compliance with the relevant laws, regulations and other regulatory requirements. According to the "Provisional Measures for the Supervision and Administration of Financial Leasing Companies" (《融資租賃公司監督管理暫行辦法》) issued by the CBIRC and the "Provisional Measures for the Supervision and Administration of Financial Leasing Companies in Shanghai" (《上海市融資租賃公司監督管理暫行辦法》) issued by the Shanghai Municipal Financial Regulatory Bureau, the risk assets of financial leasing companies shall be subject to a maximum of eight times of net assets and the total risk assets shall be determined by deducting cash, bank deposits and treasury bonds from the total assets of enterprises. As at June 30, 2021, the Group did not violate any relevant laws and regulations regarding the total risk assets and net assets ratio.

## 8. CAPITAL EXPENDITURES

For the six months ended June 30, 2021, capital cash expenditure of the Group was RMB290.7 million, which was mainly used to purchase property and equipment for six months ended June 30, 2021.

## 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 "Provisional Measures for the Supervision and Administration of Financial Leasing Companies in Shanghai" (《上海市融資租賃公司監督管理暫行辦法》) and "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》) issued by the Shanghai Municipal Financial Regulatory Bureau, we formulated and implemented various risk guidelines and rules of the same or higher level to facilitate the efficient operation of our risk management system.

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

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

### Credit risk

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

In the first half of 2021, 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 and adopted the following measures in respect of credit risk management:

- Setting reasonable goals of asset allocation and retaining high-quality customers

  The Company analyses the general economic environment and development of various industries on an annual basis and sets the goals of asset allocation in accordance with its development strategies. Through adjusting its classification of industry and formulating preferential policies, the Company retains customers in industries with good development prospects in the long-run to acquire a substantial amount of assets. The Company also focuses on matching risks with returns to achieve the strategic goal of high-quality development.

  In the first half of 2021, the Company implemented the two-dimensional evaluation system of “industry + customers” and grasped the strategic opportunities arising from the 14th Five-Year Plan initiatives. We placed emphasis on electronic information, energy conservation and environmental protection, advanced manufacturing and other emerging industries and further expanded our business into infrastructure, healthcare, industrials and other traditional sectors with competitive advantages. In order to gain advantages of serving MSEs and retain high-quality customers and assets, we formulated policies to specifically support customers from certain industries at certain levels.

- Promoting the application of qualitative and quantitative risk models for risk management

  The Company has strived for comprehensive qualitative and quantitative credit risk 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. We also reviewed and assessed our business performance on a regular basis, conducted in-depth analysis on emerging industries and were kept abreast of the credit review guidelines in order to further strengthen our credit risk identification and management capabilities.

- Further optimizing post-lending management system to ensure stable asset quality

  As for post-lending management, through refining risk alert and response mechanism and deploying professional staff for asset management and optimizing asset management team, we continued to enhance our risk mitigation ability and efficiency. The Company continued to track and evaluate asset quality, enhanced regular monitoring, 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.

In the first half of 2021, the Chinese economy saw a steady recovery. 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. The uncertainty of global industrial chains was further intensified by the continuous evolvement of COVID-19 around the world and the everchanging political relations. Facing such complicated domestic and overseas economic environments, we adhered to our risk management principles. Regular analysis on the macroeconomic environment was carried out. 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.

**Assets quality**

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

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

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

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

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

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

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

| | As at June 30, 2021 | | As at December 31, 2020 | |
|---|---|---|---|---|
| | Amount | % of total | Amount | % of total |
| | | (RMB in millions, except percentages) | | |
| Normal | 88,959.7 | 95.53% | 89,526.8 | 95.35% |
| Special mention | 3,153.1 | 3.39% | 3,334.1 | 3.55% |
| Substandard | 586.9 | 0.63% | 649.5 | 0.69% |
| Doubtful | 342.0 | 0.37% | 367.0 | 0.39% |
| Loss | 76.8 | 0.08% | 17.8 | 0.02% |
| Total | 93,118.5 | 100.00% | 93,895.2 | 100.00% |
| NPA ratio | | 1.08% | | 1.10% |
| Allowance coverage ratio for NPAs | | 273.35% | | 255.16% |

As at June 30, 2021, the NPAs of the Group amounted to RMB1,005.7 million, and the NPA ratio was 1.08%, representing a decrease of 0.02 percentage points as compared with the end of 2020. During the Reporting Period, in the face of challenges arising from the external environment, the Group maintained its proactive and prudent risk management and put great efforts in preventing and controlling risks and managing its assets. The overall asset quality remained stable and the NPA ratio remained stable with a slight decline.

As at June 30, 2021, the proportion of total interest-earning assets of the Group classified as special mention was 3.39%, representing a decrease of 0.16 percentage points as compared with the end of 2020. 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 June 30, 2021, the allowance coverage ratio for NPAs of the Group was 273.35%, representing an increase of 18.19 percentage points as compared with the end of 2020. In the face of complicated and changing credit environment, the Group maintained sufficient allowance coverage ratio for NPAs to strengthen its risk prevention ability and ensure the sustainable and healthy development of the Company.

**Asset allocation strategy**

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

# 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 strategic development and asset allocation targets, the Company will seize the development opportunities in emerging industries. Greater efforts will be made to expand into New Infrastructure Construction, advanced manufacturing, electronic information, and energy saving and environmental protection industries as well as other key areas. With its experience, the Company will deeply explore construction and micro-, small- and medium-sized enterprises businesses. The Company will continue to develop infrastructure, healthcare and other industries that are less susceptible to cyclical changes and are related to people's livelihood. The scale of traditional industries that are more susceptible to cyclical changes will be controlled. 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. As at June 30, 2021, transportation & logistics, industrials and infrastructure were the three largest industries in terms of the interest-earning asset balance and accounted for 71.6% of the total interest-earning asset balance of the Group. The interest-earning asset of infrastructure, construction and healthcare recorded the most rapid growth and increased by 56.9%, 7.8% and 4.3%, respectively, during the Reporting Period.

In respect of infrastructure, in the first half of 2021, the macro-economy continued to recover steadily. Major infrastructure projects in various regions gradually resumed operation. The Company strengthened its business expansion in water conservancy, transportation and other infrastructure areas, which steadily promoted the business development of the infrastructure segment.

In respect of healthcare, China has a huge population and its demand for the healthcare industry is rising along with the social and economic development, healthcare consumption upgrade and aging population. The Company maintained stable investment in healthcare, a business sector that is less susceptible to cyclical changes. Leveraging its extensive industry experience for years, the Company also studied and explored the business expansion in new areas such as high-end healthcare services, imaging and diagnostic centers, rehabilitation centers, medical examination centers and ophthalmology clinics.

In respect of construction, capitalizing on its years of experience, the Company strengthened its in-depth strategic cooperation with existing high-quality customers to develop the industrial chain of construction. A customer ecosystem was created for promoting the integration of industries and financing.

In respect of industrials, benefitting from the national support on the high-quality development of the manufacturing industry, the Company relied on professional teams to develop the leasing business for emerging sectors, such as IDC data center, 5G industrial chain, electronic information, high-end equipment and new energy vehicle industrial chain, and acquired a substantial amount of assets and accumulated certain high-quality customers in related sectors. 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, integrated MSE Subsidiary and continued to develop the equipment leasing business for MSEs. The Company also entered into dealer financing strategic cooperation with well-known enterprises including Huawei and Midea. Supported by the advanced manufacturing and MSE businesses, the asset scale of the industrials segment of the Company remained stable and its proportion of total interest-earning assets remained at approximately 26%–27%. The industrials segment became an important cornerstone for the high-quality development of the Company's assets.

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

| | As at June 30, 2021 | | As at December 31, 2020 | |
|---|---|---|---|---|
| | Amount | % of total | Amount | % of total |
| | (RMB in millions, except percentages) | | | |
| Transportation & logistics | **26,815.9** | **28.8%** | 31,979.1 | 34.1% |
| Industrials[1] | **24,975.4** | **26.8%** | 25,083.0 | 26.7% |
| Infrastructure | **14,859.5** | **16.0%** | 9,470.1 | 10.1% |
| Construction | **10,119.8** | **10.9%** | 9,391.0 | 10.0% |
| Healthcare | **4,878.9** | **5.2%** | 4,678.2 | 4.9% |
| Others[2] | **11,469.0** | **12.3%** | 13,293.8 | 14.2% |
| Total | **93,118.5** | **100.0%** | 93,895.2 | 100.0% |

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

2 Consists primarily of (i) paper and printing, (ii) agriculture, (iii) food, (iv) mining, (v) wholesale and retail, (vi) chemical industry, (vii) education, and (viii) textile, 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 Compliance Management Department has been established to manage compliance risk. Through paying close attention to regulatory policies, the Compliance Management Department analyzes impacts of regulatory documents on the Company and formulates improvement plans, makes recommendations on improvements to the management and provides advice on compliance risks to all departments of the Company. Adhering to the principle of "system-based operation", the Company formulates and further refines relevant system and has established a system for identifying, monitoring, evaluating and reporting of compliance risks in order to identify compliance risks and formulate risk mitigation plans in a timely manner and minimize compliance risks and losses incurred therefrom. In addition, the Company promotes the importance of compliance operation through online and offline channels to raise the awareness of compliance risk prevention among its employees and increase their knowledge of policies and regulatory requirement of the government as well as the rules and regulations of the Company for its employees, whereby preventing compliance risks from the basic level.

## 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 funding 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 Group formulates annual liquidity risk tolerance based on comprehensive assessment of future development, operational strategies and market conditions and implements administrative measures accordingly under proper authorization and approval on an annual basis. In order to effectively monitor and manage liquidity risk, the Group formulated and promulgated systems such as Measures for the Management of Liquidity Risk, and carried out daily liquidity risk management through regular tracking of the information system and assessment of conditions and indictors of liquidity risk. The details are as follows:

1. **Regarding the intraday liquidity risk management**

   (1) Monitor cash 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.

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 Group values cooperation with various financial institutions, maintains financing reserve from multiple markets and channels, focuses on financing management at the group level and keeps financing channels unblocked.

During the Reporting Period, sufficient funding and financing reserve of the Group lowered the liquidity risk and ensured stable operation of the Group in the complex market environment. Core liquidity indicators of the Group are higher than the internal management requirement and warning standards. In the first half of 2021, the liquidity position of the Group was sound. The Group formulated reasonable and orderly funding plan 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 a monthly basis at least.

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 interest rate in US dollar and other foreign currencies. These interest rate swaps generally are from one to seven years. As at June 30, 2021, the nominal amount of our interest rate swaps (including currency swaps) amounted to RMB4,485.9 million.

### Exchange Rate Risk

Exchange rate risk refers to the risk of our losses of overall revenue and economic value arising from adverse changes of exchange rate. Exchange rate risk of the Group is 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 and other foreign currencies. 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. The Group will hedge net exchange rate risk exposure 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. For the exposure of exchange rate arising from financing, the Group will mitigate exchange rate risk by using currency forwards and other instruments. 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 impact on the profits of the Group for the period.

As at June 30, 2021, the nominal amount of our currency forwards (including currency swaps) amounted to RMB2,272.9 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 strengthened the training and performance evaluation of operational risk management in order to enhance the awareness of active management and accountability. In the first half of 2021, the operational risk was in good condition and no major operational risk was recorded.

### Reputational Risk

Reputational risk refers to the risk of negative perception by stakeholders relating to our operations, management, or other actions that we take, as well as external events relating to us. We have formulated reputational risk management policies and rules as well as the processes for identifying, monitoring, assessing and reporting reputational risks and resolving material reputational risk events under our comprehensive risk management framework. We have established a media affairs management team to manage our media-related matters, including management of public relations with media, public opinion monitoring and management of public relations in crisis, and made use of big data and public opinions monitoring system in order to closely monitor and properly resolve reputational risk events. In the first half of 2021, the reputation of the Group was generally good and no major reputational risk was encountered.

## 10. HUMAN RESOURCES

As at June 30, 2021, the Group had 1,723 full-time employees (excluding dispatched labors) in total, representing an increase of 70 full-time employees as compared to 1,653 as at the same date of 2020. The Group has a team of high quality and professional employees. As at June 30, 2021, approximately 76.4% of the employees of the Group possess a bachelor's degree or above or tertiary level of above, and 20.7% 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 operations to expand our talent reserve and coordinate talent promotion. During the first half of 2021, we had conducted 55 training projects in total with 3,493 participants. Our training programs focused on two main areas, including business management and team management. Training programs specifically for department heads were organized to help them deepen the understanding of the business system and strengthen the awareness of conducting business in compliance so as to improve personnel management efficiency. The "Dandelion" professional training program was organized to improve the awareness of risk identification and operation management skills of operation staff for smooth implementation of new business of the Company. "Sailing Project (遠航項目)" for management training and "Set Sail Project (啓航項目)" for officer training were conducted to provide training on talent promotion. Our training programs were based on different operation scenario for easy learning. We strengthened our online training to cover all officers-in-charge. The Company developed a learning ecosystem of acquiring, inheriting and applying knowledge through establishing an online learning platform.

During the Reporting Period, the staff cost of the Group was RMB345.2 million, representing an increase of RMB37.2 million from RMB308.0 million for the same period last year.

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

## 11. CHARGES ON ASSETS

As at June 30, 2021, finance lease receivables with a carrying amount of approximately RMB2,665.8 million, and receivables arising from sale and leaseback arrangements with a carrying amount of approximately RMB10,384.7 million were pledged as collateral for borrowings, while equipment held for operating lease business with a carrying amount of approximately RMB5,219.0 million, other assets with a carrying amount of approximately RMB1,256.0 million of the Group and equity interests in certain subsidiaries held by the Group were mortgaged to banks as collateral for bank borrowings.

## 12. CONTINGENT LIABILITIES

As at June 30, 2021, the Group had no contingent liabilities.

## 13. SUBSEQUENT EVENTS

### Entering into Agreement in Relation to the Disposal of Three Aircraft

On August 9, 2021, the Board of Directors announced that the wholly-owned subsidiaries of the Company entered into the Aircraft Sale and Purchase Agreement with the independent external purchaser, pursuant to which (1) Haitong Unitrust No. 2 Limited agreed to sell one Airbus A320-232 aircraft to the independent external purchaser, (2) Haitong Unitrust No. 5 Limited agreed to sell one Airbus A320-233 aircraft to the independent external purchaser, and (3) Haitong Unitrust No. 6 Limited agreed to sell one Airbus A320-233 aircraft to the independent external purchaser, respectively. For details of the disposal of the three aircraft, please refer to the announcement of the Company dated August 9, 2021.

# Other Information

## CORPORATE GOVERNANCE PRACTICE

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

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

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

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

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

## INTERIM DIVIDEND

The Board recommended to distribute the interim cash dividend to all of its ordinary shareholders for the six months ended June 30, 2021. Based on the number of shares of 8,235,300,000 Shares, the interim dividend to be distributed will be RMB0.48 per 10 Shares (tax inclusive) with a total amount of RMB395,294,400.00 (tax inclusive). According to the Articles of Association, the proposed interim dividend will be paid to the holders of Domestic Shares and holders of H Shares in RMB and Hong Kong dollar, respectively. The actual distribution amount in Hong Kong dollar shall be determined with reference to the average mid-price of exchange rate between RMB and Hong Kong dollars announced by the People's Bank of China one week immediately prior to the date of the first extraordinary general meeting of 2021 to be held by the Company. Such interim dividend is subject to the approval of the Shareholders during the first extraordinary general meeting of 2021 to be held by the Company. Once approved, the 2021 interim dividend of the Company will be paid to the Shareholders whose names appear on the share register of the Company on Wednesday, November 17, 2021.

For the purpose of determining the entitlement of Shareholders to receive the 2021 interim dividend, the register of members of the Company will be closed from Friday, November 12, 2021 (inclusive) to Wednesday, November 17, 2021 (inclusive). In order to qualify for receiving the 2021 interim dividend, H Shareholders and Domestic Shareholders should ensure all transfer documents, accompanied by the relevant Share certificates, are lodged with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, and to the Company's registered office at No. 599 South Zhongshan Road, Huangpu District, Shanghai, PRC, respectively, before 4:30 p.m. on Thursday, November 11, 2021. The 2021 interim dividend is expected to be distributed no later than Monday, December 20, 2021.

### 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.

## AUDIT COMMITTEE

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

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

Deloitte Touche Tohmatsu, the auditor of the Company, has reviewed the interim financial report prepared by the Group in accordance with the International Accounting Standards 34 and the disclosure requirements of the Hong Kong Listing Rules. In addition, the Audit Committee has also reviewed and given consent to the interim results and interim report of the Group for the six months ended June 30, 2021.

## CHANGES IN INFORMATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Ms. Zhao Yue has ceased to serve as a supervisor of the Company since August 17, 2021. Mr. Hu Zhangming has served as a supervisor of the Company since August 17, 2021. For details of the above changes of supervisors, please refer to the announcement of the Company dated August 17, 2021.

Having made specific enquiry by the Company and as confirmed by Directors and Supervisors, save for the disclosure above, no other changes in the information of Directors and Supervisors which shall be subject to disclosure according to paragraphs (a) to (e) and (g) under Rule 13.51(2) of the Listing Rules shall be disclosed in accordance with Rule 13.51B(1) of the Listing Rules since the date of publication of the 2020 annual report of the Company.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

## SHARE OPTION SCHEME

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

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

As at June 30, 2021, the Directors, Supervisors and chief executive of the Company had no interests and/or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or which were required to be and were recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules.

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

As at June 30, 2021, to the knowledge of the Directors, the following persons (excluding Directors, Supervisors and chief executive of the Company) had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

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

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

Haitong Capital Co., Ltd. and Haitong Innovation Securities Investment Co., Ltd. have completed the share transfer procedures for transferring 2,440,846,824 domestic shares of the Company on March 18, 2021. For details of the share transfer, please refer to the announcements of the Company dated February 26, 2021 and March 18, 2021, respectively.

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

Save as disclosed above, as at June 30, 2021, to the knowledge of the Directors, no other persons had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept by the Company under Section 336 of the SFO.

## LOAN AGREEMENTS

During the Reporting Period, the Group entered into loan agreements with specific banks, of which loans of approximately RMB2,302 million include terms requiring that the Group shall ensure that Haitong Securities maintains actual control over the Group. The terms of such loan agreements range from one to three years. Loans of RMB200 million include terms requiring that the Group shall maintain its listing status in Hong Kong. The terms of such loan agreements are seven months.

## MATERIAL LAW, LITIGATION AND ARBITRATION

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

## SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS

### Disposal of properties and connected transactions

On March 30, 2021, the Company entered into a purchase and sale framework agreement with Haitong Securities, pursuant to which the Company shall sell to Haitong Securities an office building located at Block B1, No. 868 South Zhongshan Road, Shanghai, with a total gross floor area of 16,028.32 square meters. The consideration of the properties is RMB1,435 million and the unit price of the properties is RMB89,529 per square meter. The consideration was determined by arm's length negotiations between the Company and Haitong Securities with reference to the valuation of the properties conducted by Cushman & Wakefield Limited, an independent property valuer, and with reference to factors such as the location, use and area of the properties and the selling prices of comparable properties in the vicinity of the properties.

The disposal of properties and connected transactions were approved by the Board and independent Shareholders of the Company, respectively. For details of the disposal of properties and connected transactions, please refer to the announcement dated March 30, 2021 and the circular dated April 29, 2021 of the Company.

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

# Definitions

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

# Definitions

| | |
|---|---|
| "Haitong UT MSE Subsidiary" or "MSE Subsidiary" | Haitong UT MSE Financial Leasing (Shanghai) Co., Ltd. |
| "HK$" or "HK dollars" | Hong Kong dollars, the lawful currency of Hong Kong |
| "Hong Kong" | The Hong Kong Special Administrative Region of the PRC |
| "Hong Kong Listing Rules" or "Listing Rules" | The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time) |
| "Hong Kong Stock Exchange" or "Stock Exchange" | The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited |
| "IFRS" | International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by the International Accounting Standards Board and the International Accounting Standards and interpretation issued by the International Accounting Standards Committee |
| "Listing" | Listing of the H Shares of the Company on the Main Board of the Hong Kong Stock Exchange |
| "Listing Date" | June 3, 2019 |
| "Nomination Committee" | The nomination committee of the Company |
| "PBOC" | People's Bank of China, the central bank of the PRC |
| "Prospectus" | The prospectus of the Company dated May 21, 2019 |
| "Remuneration and Evaluation Committee" | The remuneration and evaluation committee of the Company |
| "Reporting Period" | The six months ended June 30, 2021 |
| "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 |

# Definitions

| | |
|---|---|
| "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 |
| "US$" or "US dollar(s)" | United States dollar(s), the lawful currency of the United States |

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

# Glossary of Technical Terms

| | |
|---|---|
| "14th Five-Year Plan" | Outline of the 14th Five-Year Plan for National Economic and Social Development of the People's Republic of China and the Long-Range Objectives Through the Year 2035 |
| "4S stores" | Automobile Sales Servicshop 4S |
| "5G" | The fifth generation mobile communication technology |
| "ABS" | Asset-backed security |
| "Fin-tech" | Financial technology |
| "IDC" | Internet Data Center |
| "IT" | Information technology |
| "LME" | Large- and medium-sized enterprise |
| "Made in China 2025" | the strategic document issued in May 2015 by the State Council regarding the full promotion of becoming a world manufacturing power, being the first ten-year action plan for the strategy of "becoming a world manufacturing power" |
| "MSE" | Micro- and small-sized enterprise |
| "New Infrastructure Construction" | a new type of infrastructure, which mainly includes seven major categories, namely construction of 5G base station, UHV, inter-city rail and urban rail transit, charging station of new energy vehicles, big data center, artificial intelligence, and industrial internet |
| "NPA(s)" | Non-performing asset(s) |
| "PPP" | long-term cooperative arrangements between government agencies and private investors for the construction and operation of infrastructure projects and delivery of the public services |
| "Six Stabilizations" | six policies proposed by the PRC government for stabilizing employment, financial market, foreign trade, foreign capital, investments and expectations |
| "Six Supports" | supporting objectives proposed by the PRC government in respect of six major aspects, including employment, basic livelihood, market players, food and energy security, stabilized industry chains and supply chains as well as grassroots operation |

# Report on Review of Condensed Consolidated Financial Statements

Deloitte. 德勤

**TO THE BOARD OF DIRECTORS OF**

**HAITONG UNITRUST INTERNATIONAL FINANCIAL LEASING CO., LTD.**

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

## INTRODUCTION

We have reviewed the condensed consolidated financial statements of Haitong Unitrust International Financial Leasing Co., Ltd. (海通恒信國際融資租賃股份有限公司) (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 67 to 124, which comprise the condensed consolidated statement of financial position as at June 30, 2021 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

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

## CONCLUSION

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

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

August 26, 2021

# Condensed Consolidated Statement of Profit or Loss for the Six Months Ended June 30, 2021

| | Notes | Six months ended June 30 2021 RMB'000 (Unaudited) | 2020 RMB'000 (Unaudited) |
|---|---|---|---|
| Revenue | | | |
| Finance lease income | 5 | **1,771,581** | 1,985,141 |
| Interest income from sale and leaseback arrangements | 5 | **1,248,140** | 906,795 |
| Operating lease income | 5 | **234,863** | 246,856 |
| Service fee income | 5 | **588,161** | 547,121 |
| Factoring interest income | 5 | **194,590** | 182,007 |
| Entrusted loan and other loan interest income | 5 | **12,209** | 26,671 |
| Total revenue | | **4,049,544** | 3,894,591 |
| Net investment losses or gains | 6 | **(9,419)** | 11,771 |
| Share of result of a joint venture | | **—** | (6,212) |
| Other income, gains or losses | 7 | **198,620** | 213,792 |
| Total revenue and other income, gains or losses | | **4,238,745** | 4,113,942 |
| Depreciation and amortisation | 8 | **(240,229)** | (158,918) |
| Staff costs | 9 | **(345,177)** | (307,968) |
| Interest expenses | 10 | **(1,748,178)** | (1,825,306) |
| Other operating expenses | 11 | **(124,703)** | (96,713) |
| Impairment losses under expected credit loss model | 12 | **(826,110)** | (907,119) |
| Other impairment losses | | **(39,602)** | (4,890) |
| Total expenses | | **(3,323,999)** | (3,300,914) |
| Profit before income tax | | **914,746** | 813,028 |
| Income tax expenses | 13 | **(229,705)** | (192,072) |
| Profit for the period | | **685,041** | 620,956 |

# Condensed Consolidated Statement of Profit or Loss for the Six Months Ended June 30, 2021

| | Notes | Six months ended June 30 2021 RMB'000 (Unaudited) | 2020 RMB'000 (Unaudited) |
|---|---|---|---|
| Attributable to: | | | |
| Owners of the Company | | | |
| — Ordinary shareholders | | **643,490** | 596,204 |
| — Other equity instrument holders | | **41,019** | 24,905 |
| Non-controlling interests | | **532** | (153) |
| | | **685,041** | 620,956 |
| Earnings per share attributable to ordinary shareholders of the Company | | | |
| (Expressed in RMB Yuan per share) | | | |
| — Basic | 14 | **0.08** | 0.07 |
| — Diluted | 14 | **N/A** | N/A |

# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Six Months Ended June 30, 2021

| | Six months ended June 30 | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| Profit for the period | **685,041** | 620,956 |
| **Other comprehensive income/(expense):** | | |
| Items that may be reclassified subsequently to profit or loss: | | |
| Exchange differences arising on translation of foreign operations | **(7,134)** | (28,890) |
| Fair value gain/(loss) on hedging instruments designated as cash flow hedges | **44,235** | (116,645) |
| Other comprehensive income/(expense) for the period, net of income tax | **37,101** | (145,535) |
| Total comprehensive income for the period | **722,142** | 475,421 |
| Attributable to: | | |
| Owners of the Company | | |
| — Ordinary shareholders | **680,591** | 450,669 |
| — Other equity instrument holders | **41,019** | 24,905 |
| Non-controlling interests | **532** | (153) |
| | **722,142** | 475,421 |

# Condensed Consolidated Statement of Financial Position As At June 30, 2021

| | Notes | 2021/6/30 RMB'000 (Unaudited) | 2020/12/31 RMB'000 (Audited) |
|---|---|---|---|
| **Non-current assets** | | | |
| Property and equipment | 16 | 5,618,503 | 7,154,205 |
| Right-of-use assets | 16 | 137,490 | 165,036 |
| Intangible assets | | 13,781 | 15,386 |
| Finance lease receivables | 17 | 15,862,677 | 20,751,276 |
| Receivables arising from sale and leaseback arrangements | 18 | 23,052,892 | 20,132,302 |
| Financial assets at fair value through profit or loss | 24 | 419,602 | 326,285 |
| Loans and receivables | 19 | 1,197,726 | 1,249,177 |
| Deferred tax assets | 20 | 1,403,997 | 1,540,986 |
| Other assets | 21 | 1,647,261 | 944,543 |
| Total non-current assets | | 49,353,929 | 52,279,196 |
| **Current assets** | | | |
| Finance lease receivables | 17 | 25,439,566 | 27,660,127 |
| Receivables arising from sale and leaseback arrangements | 18 | 18,440,205 | 15,082,174 |
| Loans and receivables | 19 | 6,376,481 | 6,380,913 |
| Other assets | 21 | 2,609,091 | 952,265 |
| Accounts receivable | 22 | 63,859 | 36,913 |
| Financial assets held under resale agreements | 23 | 600,000 | — |
| Financial assets at fair value through profit or loss | 24 | 694,946 | 572,915 |
| Derivative financial assets | 25 | 2,119 | — |
| Cash and bank balances | 26 | 7,319,636 | 5,176,968 |
| Total current assets | | 61,545,903 | 55,862,275 |
| **Total assets** | | 110,899,832 | 108,141,471 |

# Condensed Consolidated Statement of Financial Position
## As At June 30, 2021

| | Notes | 2021/6/30 RMB'000 (Unaudited) | 2020/12/31 RMB'000 (Audited) |
|---|---|---|---|
| **Current liabilities** | | | |
| Borrowings | 27 | 22,932,560 | 22,205,176 |
| Derivative financial liabilities | 25 | 223,483 | 359,910 |
| Accrued staff costs | 28 | 170,216 | 217,571 |
| Accounts payable | 29 | 300,106 | 30,118 |
| Bonds payable | 30 | 18,899,497 | 18,408,850 |
| Income tax payable | | 329,147 | 663,899 |
| Other liabilities | 31 | 7,429,368 | 6,477,034 |
| Total current liabilities | | 50,284,377 | 48,362,558 |
| Net current assets | | 11,261,526 | 7,499,717 |
| **Total assets less current liabilities** | | 60,615,455 | 59,778,913 |
| **Equity** | | | |
| Share capital | 32 | 8,235,300 | 8,235,300 |
| Reserves | | | |
| — Capital reserve | | 2,492,962 | 2,497,465 |
| — Surplus reserve | | 409,181 | 409,181 |
| — Hedging reserve | | (27,958) | (72,193) |
| — Translation reserve | | (61,726) | (54,592) |
| Retained profits | | 3,784,570 | 3,263,152 |
| Other equity instruments | 33 | 1,801,816 | 1,523,756 |
| Equity attributable to owners of the Company | | | |
| — Ordinary shareholders | | 14,832,329 | 14,278,313 |
| — Other equity instrument holders | | 1,801,816 | 1,523,756 |
| Non-controlling interests | | 74,532 | 51,730 |
| **Total equity** | | 16,708,677 | 15,853,799 |

# Condensed Consolidated Statement of Financial Position
# As At June 30, 2021

| | Notes | 2021/6/30<br>RMB'000<br>(Unaudited) | 2020/12/31<br>RMB'000<br>(Audited) |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Borrowings | 27 | **21,359,031** | 21,796,398 |
| Bonds payable | 30 | **15,120,414** | 13,951,119 |
| Deferred tax liabilities | 20 | **18,721** | 18,295 |
| Other liabilities | 31 | **7,408,612** | 8,159,302 |
| Total non-current liabilities | | **43,906,778** | 43,925,114 |
| **Total equity and non-current liabilities** | | **60,615,455** | 59,778,913 |

The unaudited condensed consolidated financial statements on pages 67 to 124 were approved and authorised for issue by the Board of Directors on August 26, 2021 and signed on behalf by:

**Ding Xueqing**
Chairman of the Board/
Executive Director

**Zhou Jianli**
Executive Director/
General Manager

# Condensed Consolidated Statement of Changes in Equity For the six months ended June 30, 2021

| | Attributable to owners of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital RMB'000 | Capital reserve RMB'000 | Surplus reserve RMB'000 | Hedging reserve RMB'000 | Translation reserve RMB'000 | Retained profits RMB'000 | Ordinary shareholders Sub-total RMB'000 | Other equity instruments holders RMB'000 | Non-controlling interests RMB'000 | Total equity RMB'000 |
| **At December 31, 2020(Audited)** | 8,235,300 | 2,497,465 | 409,181 | (72,193) | (54,592) | 3,263,152 | 14,278,313 | 1,523,756 | 51,730 | 15,853,799 |
| Profit for the period | – | – | – | – | – | 643,490 | 643,490 | 41,019 | 532 | 685,041 |
| Other comprehensive income for the period | – | – | – | 44,235 | (7,134) | – | 37,101 | – | – | 37,101 |
| Total comprehensive income for the period | – | – | – | 44,235 | (7,134) | 643,490 | 680,591 | 41,019 | 532 | 722,142 |
| Capital injection by non-controlling interests | – | – | – | – | – | – | – | – | 22,270 | 22,270 |
| Issuance of other equity instruments | – | – | – | – | – | – | – | 1,491,330 | – | 1,491,330 |
| Redemption of other equity instruments | – | (4,503) | – | – | – | – | (4,503) | (1,195,497) | – | (1,200,000) |
| Distribution of other equity instruments | – | – | – | – | – | – | – | (57,334) | – | (57,334) |
| Dividends recognised as distribution (Note 15) | – | – | – | – | – | (123,530) | (123,530) | – | – | (123,530) |
| Others | – | – | – | – | – | 1,458 | 1,458 | (1,458) | – | – |
| **At June 30, 2021 (Unaudited)** | 8,235,300 | 2,492,962 | 409,181 | (27,958) | (61,726) | 3,784,570 | 14,832,329 | 1,801,816 | 74,532 | 16,708,677 |
| **At December 31, 2019 (Audited)** | 8,235,300 | 2,497,465 | 314,999 | 2,502 | 18,275 | 2,967,374 | 14,035,915 | 1,237,212 | 16,660 | 15,289,787 |
| Profit for the period | – | – | – | – | – | 596,204 | 596,204 | 24,905 | (153) | 620,956 |
| Other comprehensive income for the period | – | – | – | (116,645) | (28,890) | – | (145,535) | – | – | (145,535) |
| Total comprehensive income for the period | – | – | – | (116,645) | (28,890) | 596,204 | 450,669 | 24,905 | (153) | 475,421 |
| Capital injection by non-controlling interests | – | – | – | – | – | – | – | – | 14,787 | 14,787 |
| Distribution of other equity instruments | – | – | – | – | – | – | – | (50,211) | – | (50,211) |
| Dividends recognised as distribution (Note 15) | – | – | – | – | – | (362,353) | (362,353) | – | – | (362,353) |
| Others | – | – | – | – | – | (34) | (34) | 34 | – | – |
| **At June 30, 2020 (Unaudited)** | 8,235,300 | 2,497,465 | 314,999 | (114,143) | (10,615) | 3,201,191 | 14,124,197 | 1,211,940 | 31,294 | 15,367,431 |

# Condensed Consolidated Statement of Cash Flows
# For the six months ended June 30, 2021

| | Note | Six months ended June 30, 2021 RMB'000 (Unaudited) | 2020 RMB'000 (Unaudited) |
|---|---|---|---|
| **NET CASH FROM/(USED IN) OPERATING ACTIVITIES** | | **994,657** | (2,470,592) |
| **INVESTING ACTIVITIES** | | | |
| Proceeds from sale of financial assets held under resale agreements | | **2,293,500** | 3,731,400 |
| Proceeds from sale of financial assets at fair value through profit or loss | | **513,918** | 5,126,340 |
| Disposal of property and equipment | | **43** | — |
| (Payments)/proceeds of restricted deposits | | **(276,750)** | 56,065 |
| Purchase of financial assets held under resale agreements | | **(2,893,500)** | (3,200,600) |
| Purchase of financial assets at fair value through profit or loss | | **(743,000)** | (4,775,000) |
| Purchase of asset-backed securities | | **(58,401)** | (52,730) |
| Purchase of property and equipment and intangible assets | | **(290,742)** | (2,745,301) |
| **NET CASH USED IN INVESTING ACTIVITIES** | | **(1,454,932)** | (1,859,826) |
| **FINANCING ACTIVITIES** | | | |
| Proceeds from issuance of other equity instruments | | **1,500,000** | — |
| Proceeds from capital injection of the non-controlling investors | | **22,270** | 14,787 |
| Proceeds from borrowings | | **14,741,551** | 15,600,291 |
| Proceeds from issuance of bonds | | **18,116,010** | 12,380,599 |
| Repayment of borrowings | | **(14,209,300)** | (8,992,077) |
| Repayment of bonds payable | | **(16,409,184)** | (12,941,330) |
| Redemption of other equity instruments | | **(1,200,000)** | — |
| Repayments of lease liabilities | | **(28,727)** | (32,071) |
| Payments for the costs of borrowing | | **(29,909)** | (45,136) |
| Payments for the costs of bonds issuance and other equity instruments | | **(119,108)** | (70,672) |
| Payment of distribution of other equity instruments | | **(57,334)** | (50,211) |
| **NET CASH FROM FINANCING ACTIVITIES** | | **2,326,269** | 5,864,180 |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | | **1,865,994** | 1,533,762 |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD** | 35 | **4,570,959** | 5,053,127 |
| Effect of foreign exchange rate changes | | **(85)** | 6,604 |
| **CASH AND CASH EQUIVALENTS AT END OF THE PERIOD** | 35 | **6,436,868** | 6,593,493 |

# Notes to the Condensed Consolidated Financial Statements

## 1. GENERAL INFORMATION

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

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

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

## 2. BASIS OF PREPARATION AND PRESENTATION

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

The unaudited condensed consolidated financial statements of the Group should be read in conjunction with the Group's consolidated financial statements for the year ended December 31, 2020.

## 3. SIGNIFICANT ACCOUNTING POLICIES

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

As described below, other than additional accounting policies resulting from application of amendments to IFRSs, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2021 are the same as those presented in the Group's annual financial statements for the year ended December 31, 2020.

### Application of amendments to IFRSs

In the current interim period, the Group has applied the following amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the annual periods beginning on or after January 1, 2021 for the preparation of the Group's condensed consolidated financial statements:

| | |
|---|---|
| Amendment to IFRS 16 | Covid-19-Related Rent Concessions |
| Amendments to IFRS 9, IAS 39 IFRS 7, IFRS 4 and IFRS 16 | Interest Rate Benchmark Reform — Phase 2 |

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.1 Impacts and accounting policies on application of Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform – Phase 2"

***Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform***

For changes in the basis for determining the contractual cash flows of a financial asset or financial liability to which the amortised cost measurement applies as a result of interest rate benchmark reform, the Group applies the practical expedient to account for these changes by updating the effective interest rate, such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if and only if, both these conditions are met:

- the change is necessary as a direct consequence of interest rate benchmark reform; and

- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (i.e. the basis immediately preceding the change).

For other changes made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Group first applies the practical expedient to the changes required by interest rate benchmark reform by updating the effective interest rate. The Group then applies the applicable requirements in IFRS 9 *Financial Instruments* on modification of a financial asset or a financial liability to the additional changes to which the practical expedient does not apply.

***Hedge accounting***

For changes made to the hedged risk, hedged item or hedging instruments required by interest rate benchmark reform, the Group amends the formal designation of a hedging relationship to reflect the changes by the end of the reporting period during which the relevant changes were made. Such an amendment to the formal designation of the hedging relationship constitutes neither the discontinuation of the hedging relationship nor the designation of a new hedging relationship.

***Cash flows hedges***

When a hedged item in a cash flow hedge is amended to reflect the changes that are required by the interest rate benchmark reform, the amount accumulated in the cash flow hedge reserve is deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined.

***Transition and summary of effects***

As at January 1, 2021, the Group has several financial liabilities and derivatives, the interest of which are indexed to benchmark rates that will or may be subject to interest rate benchmark reform. After assessment, the Group considers the application of this amendment has had no material impact on the Group's financial positions and performance for the current period.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.2 Impacts and accounting policies on application of Amendments to IFRS 16 "Covid-19-Related Rent Concessions"

The application of the Amendment to IFRS 16 "Covid-19-Related Rent Concessions" in the current interim period had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the condensed consolidated financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies of the Group. The key sources of estimation uncertainty used in the condensed consolidated financial statements for six months ended June 30, 2021 are the same as those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2020.

## 5. REVENUE AND SEGMENT INFORMATION

| | Six months ended June 30, | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| Finance lease income (note i) | **1,771,581** | 1,985,141 |
| Interest income from sale and leaseback arrangements (note ii) | **1,248,140** | 906,795 |
| Operating lease income | **234,863** | 246,856 |
| Service fee income (note iii) | **588,161** | 547,121 |
| Factoring interest income (note ii) | **194,590** | 182,007 |
| Entrusted loan and other loan interest income (note ii) | **12,209** | 26,671 |
| Total revenue | **4,049,544** | 3,894,591 |

notes:

(i) The Group has no variable lease payments which is not included in the measurement of finance lease receivables for the six months ended June 30, 2021 and 2020.

(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.

## 5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

### Segment reporting

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

### Geographical information

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

### Information about major customers

During the six months ended June 30, 2021 and 2020, there was no revenue from transactions with a single external customer amounting to 10% or more of the Group's total revenue.

## 6. NET INVESTMENT LOSSES OR GAINS

| | Six months ended June 30, | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| Net losses arising from derivative financial instruments | **(1,814)** | (2,909) |
| Net (losses)/gains arising from financial assets at fair value through profit or loss | **(7,605)** | 14,680 |
| | **(9,419)** | 11,771 |

## 7. OTHER INCOME, GAINS OR LOSSES

| | Six months ended June 30, | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| Interest income from deposits with financial institutions | **46,505** | 30,226 |
| Interest income from financial assets held under resale agreements | **631** | 31,161 |
| Foreign exchange (losses)/gains, net | **(11,072)** | 2,744 |
| Government grants (note) | **177,822** | 140,475 |
| Losses on disposal of finance lease assets | **(30,405)** | (12,123) |
| Others | **15,139** | 21,309 |
| | **198,620** | 213,792 |

note: Government grants primarily consist of the fiscal support that local governments offer to enterprises in financial leasing industry, etc.

## 8. DEPRECIATION AND AMORTISATION

| | Six months ended June 30, | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| Depreciation of property and equipment | **206,187** | 125,279 |
| Depreciation of right-of-use assets | **31,105** | 31,156 |
| Amortisation of intangible assets | **2,937** | 2,483 |
| | **240,229** | 158,918 |

## 9. STAFF COSTS

| | Six months ended June 30, 2021 RMB'000 (Unaudited) | 2020 RMB'000 (Unaudited) |
|---|---|---|
| Salaries, bonus and allowances | **258,317** | 251,749 |
| Social welfare | **71,515** | 41,131 |
| Others | **15,345** | 15,088 |
| | **345,177** | 307,968 |

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

## 10. INTEREST EXPENSES

| | Six months ended June 30, 2021 RMB'000 (Unaudited) | 2020 RMB'000 (Unaudited) |
|---|---|---|
| Interest on liabilities: | | |
| Bank and other borrowings | **1,077,314** | 1,090,966 |
| Bonds payable | **667,060** | 729,508 |
| Lease liabilities | **3,804** | 4,832 |
| | **1,748,178** | 1,825,306 |

## 11. OTHER OPERATING EXPENSES

| | Six months ended June 30, | |
|---|---|---|
| | 2021 | 2020 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) |
| Advisory expenses | 30,680 | 14,227 |
| Business travelling expenses | 27,523 | 15,415 |
| Tax and surcharges | 11,084 | 14,315 |
| Administrative expenses | 6,495 | 5,137 |
| Business development expenses | 6,344 | 3,694 |
| Property management expenses | 6,482 | 7,512 |
| Auditor's fee | 2,158 | 1,857 |
| Communication expenses | 7,092 | 6,232 |
| Short-term lease expenses | 274 | 1,441 |
| Others | 26,571 | 26,883 |
| | 124,703 | 96,713 |

## 12. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL

| | Six months ended June 30, | |
|---|---|---|
| | 2021 | 2020 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) |
| Impairment loss recognised/(reversed) on: | | |
| — finance lease receivables | 497,562 | 614,555 |
| — receivables arising from sale and leaseback arrangements | 131,908 | 78,126 |
| — loans and receivables | 181,412 | 211,630 |
| — financial assets held under resale agreements | — | (930) |
| — accounts receivable | 9,248 | 245 |
| — bank balances | (10) | 1 |
| — other financial assets | 5,990 | 3,492 |
| | 826,110 | 907,119 |

## 13. INCOME TAX EXPENSES

| | Six months ended June 30, | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| Current tax: | | |
| PRC Enterprise Income Tax | **88,960** | 377,333 |
| Hong Kong Profit Tax | **3,417** | 2,644 |
| Other jurisdictions | **51** | 42 |
| Sub-total | **92,428** | 380,019 |
| Deferred tax: | **137,277** | (187,947) |
| Total | **229,705** | 192,072 |

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 8.25% or 16.5%.

## 14. EARNINGS PER SHARE

| | Six months ended June 30, | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| Earnings for the purpose of basic and diluted earnings per share: | | |
| Profit for the period attributable to ordinary shareholders of the Company | **643,490** | 596,204 |
| Weighted average number of shares for basic earnings per share (in '000) | **8,235,300** | 8,235,300 |
| Weighted average number of shares for diluted earnings per share (in '000) | **N/A** | N/A |
| Basic earnings per share (Expressed in RMB Yuan per share) | **0.08** | 0.07 |
| Diluted earnings per share (Expressed in RMB Yuan per share) | **N/A** | N/A |

No diluted earnings per share for the six months ended June 30, 2021 and 2020 was presented as there were no potential ordinary shares in issue during the current/prior interim periods.

## 15. DIVIDENDS

Subsequent to the end of the reporting period, based on 8,235,300,000 ordinary shares, the Board of Directors of the Company declared a cash dividend of RMB0.48 per 10 shares (tax inclusive) in respect of the six months ended June 30, 2021 (the interim dividend), in an aggregate amount of RMB395,294,400.00 (tax inclusive), which is subject to approval by the shareholders in the first extraordinary general meeting of 2021 to be held by the Company (2020 interim dividend: RMB312,941,400.00).

The annual cash dividend in respect of the year ended December 31, 2020 was RMB0.15 per 10 shares (tax inclusive), in an aggregate amount of RMB123,529,500.00 (2019 annual dividend: RMB362,353,200.00).

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

During the six months ended June 30, 2021, the Group acquired items of property and equipment at a total cost of RMB10,066 thousand (six months ended June 30, 2020: RMB3,125,565 thousand).

During the six months ended June 30, 2021, the Group entered into a purchase and sale agreement with Haitong Securities Co., Ltd., pursuant to which the Group agreed to sell a property to Haitong Securities Co., Ltd.. As at June 30, 2021, the property amounted to RMB1,256,045 thousand was classified as assets classified as held for sale (December 31, 2020: nil).

As at June 30, 2021, the net carrying amount of the Group's aircraft held for operating business amounted to RMB5,426,313 thousand (December 31, 2020: RMB5,684,346 thousand), among which RMB5,219,008 thousand was mortgaged as collateral for the Group's bank borrowings (December 31, 2020: RMB5,428,815 thousand).

During the current interim period, the Group entered into several new lease agreements with lease terms ranged from 24 to 48 months. During the six months ended June 30, 2021, the Group recognised right-of-use assets of RMB3,597 thousand (six months ended 30 June 2020: RMB28,541 thousand) and lease liabilities of RMB3,597 thousand (six months ended 30 June 2020: RMB28,541 thousand).

### Impairment assessment

During the six month ended June 30, 2021, aircraft were tested for indicators of impairment. In case where the carrying amounts of the aircraft exceeded the higher of value in use and fair value less costs of disposal, an impairment charge was recognised. Based on the result of the assessment, the Group recognised impairment loss of RMB 27,191 thousand related to property and equipment during the current interim period(six months ended June 30, 2020: nil).

## 17. FINANCE LEASE RECEIVABLES

| | 2021/6/30<br>RMB'000<br>(Unaudited) | 2020/12/31<br>RMB'000<br>(Audited) |
|---|---|---|
| Minimum finance lease receivables | | |
| — Within one year | 28,909,895 | 31,181,156 |
| — In the second year | 14,075,442 | 16,998,643 |
| — In the third year | 2,926,787 | 5,451,619 |
| — In the fourth year | 353,022 | 480,912 |
| — In the fifth year | 247,007 | 295,766 |
| — After five years | 498,112 | 501,855 |
| Gross amount of finance lease receivables | 47,010,265 | 54,909,951 |
| Less: Unearned finance lease income | (4,200,283) | (4,980,779) |
| Present value of minimum finance lease receivables | 42,809,982 | 49,929,172 |
| Less: Loss allowance | (1,507,739) | (1,517,769) |
| Carrying amount of finance lease receivables | 41,302,243 | 48,411,403 |
| Present value of minimum finance lease receivables | | |
| — Within one year | 26,395,438 | 28,544,638 |
| — In the second year | 12,818,404 | 15,457,681 |
| — In the third year | 2,660,002 | 4,861,631 |
| — In the fourth year | 311,210 | 397,837 |
| — In the fifth year | 212,775 | 249,560 |
| — After five years | 412,153 | 417,825 |
| **Total** | 42,809,982 | 49,929,172 |
| Analysed as: | | |
| Current | 25,439,566 | 27,660,127 |
| Non-current | 15,862,677 | 20,751,276 |
| Total | 41,302,243 | 48,411,403 |

## 17. 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 leases 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 June 30, 2021, the Group's finance lease receivables pledged as collateral for the Group's bank and other financial institutions borrowings amounted to RMB2,665,806 thousand (December 31, 2020: RMB3,588,312 thousand).

The floating interest rates of finance lease receivables were with reference to the benchmark interest rate of the market and adjusted periodically.

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

| | Stage 1<br>12-months<br>expected credit<br>loss ("ECL")<br>RMB'000 | Stage 2<br>Lifetime ECL not<br>credit-impaired<br>RMB'000 | Stage 3<br>Lifetime ECL<br>credit-impaired<br>RMB'000 | Total<br>RMB'000 |
|---|---|---|---|---|
| **As at December 31, 2020 (Audited)** | 707,113 | 429,307 | 381,349 | 1,517,769 |
| Changes in the loss allowance (Unaudited): | | | | |
| — Transfer to Stage 1 | 48,714 | (42,128) | (6,586) | — |
| — Transfer to Stage 2 | (32,533) | 57,195 | (24,662) | — |
| — Transfer to Stage 3 | (16,735) | (134,172) | 150,907 | — |
| — Recovery of finance lease receivables previously written off | — | — | 24,243 | 24,243 |
| — Write-offs | — | — | (227,005) | (227,005) |
| — Other derecognition | — | — | (304,830) | (304,830) |
| — (Credit)/charge to profit or loss | (73,033) | 180,672 | 389,923 | 497,562 |
| **As at June 30, 2021 (Unaudited)** | 633,526 | 490,874 | 383,339 | 1,507,739 |

## 17. FINANCE LEASE RECEIVABLES (CONTINUED)

| | Stage 1<br>12-months ECL<br>RMB'000 | Stage 2<br>Lifetime ECL not credit-impaired<br>RMB'000 | Stage 3<br>Lifetime ECL credit-impaired<br>RMB'000 | Total<br>RMB'000 |
|---|---|---|---|---|
| **As at December 31, 2019 (Audited)** | 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 |
| **As at December 31, 2020 (Audited)** | 707,113 | 429,307 | 381,349 | 1,517,769 |

Analysis of present value of minimum finance lease receivables:

| | **Stage 1**<br>**12-months ECL**<br>**RMB'000** | **Stage 2**<br>**Lifetime ECL not credit-impaired**<br>**RMB'000** | **Stage 3**<br>**Lifetime ECL credit-impaired**<br>**RMB'000** | **Total**<br>**RMB'000** |
|---|---|---|---|---|
| **As at June 30, 2021 (Unaudited)** | **40,133,654** | **1,991,318** | **685,010** | **42,809,982** |
| **As at December 31, 2020 (Audited)** | 46,916,654 | 2,177,676 | 834,842 | 49,929,172 |

## 18. RECEIVABLES ARISING FROM SALE AND LEASEBACK ARRANGEMENTS

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

| | **2021/6/30** | 2020/12/31 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Audited) |
| — Within one year | **20,486,003** | 16,834,046 |
| — In the second year | **13,856,851** | 11,662,335 |
| — In the third year | **7,832,856** | 6,632,982 |
| — In the fourth year | **2,757,517** | 3,127,211 |
| — In the fifth year | **1,043,261** | 1,009,281 |
| — After five years | **105,705** | 43,031 |
| Gross amount of receivables arising from sale and leaseback arrangements | **46,082,193** | 39,308,886 |
| Less: Interest adjustment | **(3,993,306)** | (3,617,226) |
| Present value of receivables arising from sale and leaseback arrangements | **42,088,887** | 35,691,660 |
| Less: Loss allowance | **(595,790)** | (477,184) |
| Carrying amount of receivables arising from sale and leaseback arrangements | **41,493,097** | 35,214,476 |
| Present value of receivables arising from sale and leaseback arrangements: | | |
| — Within one year | **18,712,047** | 15,285,831 |
| — In the second year | **12,655,664** | 10,589,223 |
| — In the third year | **7,153,520** | 6,022,041 |
| — In the fourth year | **2,518,345** | 2,839,184 |
| — In the fifth year | **952,774** | 916,313 |
| — After five years | **96,537** | 39,068 |
| Total | **42,088,887** | 35,691,660 |

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

| | 2021/6/30<br>RMB'000<br>(Unaudited) | 2020/12/31<br>RMB'000<br>(Audited) |
|---|---|---|
| Analysed as: | | |
| Current | 18,440,205 | 15,082,174 |
| Non-current | 23,052,892 | 20,132,302 |
| Total | 41,493,097 | 35,214,476 |

As at June 30, 2021, 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 RMB10,384,675 thousand (December 31, 2020: RMB9,757,835 thousand).

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

| | Stage 1<br>12-months ECL<br>RMB'000 | Stage 2<br>Lifetime ECL not credit-impaired<br>RMB'000 | Stage 3<br>Lifetime ECL credit-impaired<br>RMB'000 | Total<br>RMB'000 |
|---|---|---|---|---|
| **As at December 31, 2020 (Audited)** | 455,567 | 11,128 | 10,489 | 477,184 |
| Changes in the loss allowance (Unaudited): | | | | |
| — Transfer to Stage 1 | 148 | — | (148) | — |
| — Transfer to Stage 2 | (1,681) | 1,744 | (63) | — |
| — Transfer to Stage 3 | (342) | (5,478) | 5,820 | — |
| — Recovery of receivables arising from sale and leaseback arrangements previously written off | — | — | 54 | 54 |
| — Write-offs | — | — | (5,367) | (5,367) |
| — Other derecognition | — | — | (7,989) | (7,989) |
| — Charge to profit or loss | 98,870 | 19,245 | 13,793 | 131,908 |
| **As at June 30, 2021 (Unaudited)** | 552,562 | 26,639 | 16,589 | 595,790 |

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

| | Stage 1<br>12-months ECL<br>RMB'000 | Stage 2<br>Lifetime ECL not<br>credit-impaired<br>RMB'000 | Stage 3<br>Lifetime ECL<br>credit-impaired<br>RMB'000 | Total<br>RMB'000 |
|---|---|---|---|---|
| **As at December 31, 2019 (Audited)** | 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 |
| **As at December 31, 2020 (Audited)** | 455,567 | 11,128 | 10,489 | 477,184 |

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

| | **Stage 1**<br>**12-months ECL**<br>**RMB'000** | **Stage 2**<br>**Lifetime ECL not**<br>**credit-impaired**<br>**RMB'000** | **Stage 3**<br>**Lifetime ECL**<br>**credit-impaired**<br>**RMB'000** | **Total**<br>**RMB'000** |
|---|---|---|---|---|
| **As at June 30, 2021 (Unaudited)** | **41,924,757** | **128,215** | **35,915** | **42,088,887** |
| **As at December 31, 2020 (Audited)** | 35,612,607 | 57,604 | 21,449 | 35,691,660 |

## 19. LOANS AND RECEIVABLES

| | 2021/6/30<br>RMB'000<br>(Unaudited) | 2020/12/31<br>RMB'000<br>(Audited) |
|---|---|---|
| Factoring receivables | **7,457,647** | 7,480,392 |
| Entrusted loans and other loans | **762,029** | 793,929 |
| Subtotal of loans and receivables | **8,219,676** | 8,274,321 |
| Less: Loss allowance for loans and receivables | **(645,469)** | (644,231) |
| Total | **7,574,207** | 7,630,090 |
| Analysed as: | | |
| Current | **6,376,481** | 6,380,913 |
| Non-current | **1,197,726** | 1,249,177 |
| Total | **7,574,207** | 7,630,090 |

## 19. LOANS AND RECEIVABLES (CONTINUED)

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

| | 2021/6/30<br>RMB'000<br>(Unaudited) | 2020/12/31<br>RMB'000<br>(Audited) |
|---|---|---|
| Within one year | 7,136,330 | 6,973,570 |
| More than one year but not exceeding five years | 989,968 | 1,148,934 |
| More than five years | 69,657 | 75,789 |
| Gross amount of factoring receivables | 8,195,955 | 8,198,293 |
| Less: Interest adjustment | (738,308) | (717,901) |
| Present value of factoring receivables | 7,457,647 | 7,480,392 |
| Less: Loss allowance | (488,877) | (522,613) |
| Carrying amount of factoring receivables | 6,968,770 | 6,957,779 |
| Present value of factoring receivables: | | |
| — Within one year | 6,493,558 | 6,361,611 |
| — More than one year but not exceeding five years | 900,728 | 1,049,657 |
| — More than five years | 63,361 | 69,124 |
| Total | 7,457,647 | 7,480,392 |

## 19. LOANS AND RECEIVABLES (CONTINUED)

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

| | 2021/6/30 RMB'000 (Unaudited) | 2020/12/31 RMB'000 (Audited) |
|---|---|---|
| Within one year | 410,142 | 571,688 |
| More than one year but not exceeding five years | 351,887 | 222,154 |
| More than five years | — | 87 |
| Present value of entrusted loans and other loans | 762,029 | 793,929 |
| Less: Loss allowance | (156,592) | (121,618) |
| Carrying amount of entrusted loans and other loans | 605,437 | 672,311 |

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

| | 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 (Audited)** | 133,668 | 386,655 | 123,908 | 644,231 |
| Changes in the loss allowance (Unaudited): | | | | |
| — Transfer to Stage 2 | (39) | 39 | — | — |
| — Transfer to Stage 3 | (7,976) | (93,592) | 101,568 | — |
| — Other derecognition | — | — | (180,034) | (180,034) |
| — Charge to profit or loss | 26,277 | 47,895 | 107,240 | 181,412 |
| — Exchange differences | (140) | — | — | (140) |
| **As at June 30, 2021 (Unaudited)** | 151,790 | 340,997 | 152,682 | 645,469 |

## 19. LOANS AND RECEIVABLES (CONTINUED)

| | Stage 1<br>12-months ECL<br>RMB'000 | Stage 2<br>Lifetime ECL not credit-impaired<br>RMB'000 | Stage 3<br>Lifetime ECL credit-impaired<br>RMB'000 | Total<br>RMB'000 |
|---|---|---|---|---|
| **As at December 31, 2019 (Audited)** | 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) |
| **As at December 31, 2020 (Audited)** | 133,668 | 386,655 | 123,908 | 644,231 |

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

| | **Stage 1**<br>**12-months ECL**<br>**RMB'000** | **Stage 2**<br>**Lifetime ECL not credit-impaired**<br>**RMB'000** | **Stage 3**<br>**Lifetime ECL credit-impaired**<br>**RMB'000** | **Total**<br>**RMB'000** |
|---|---|---|---|---|
| **As at June 30, 2021 (Unaudited)** | **6,901,353** | **1,033,579** | **284,744** | **8,219,676** |
| **As at December 31, 2020 (Audited)** | 6,799,362 | 1,296,918 | 178,041 | 8,274,321 |

## 20. DEFERRED TAXATION

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

| | 2021/6/30 | 2020/12/31 |
|---|---|---|
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Audited) |
| Deferred tax assets | 1,403,997 | 1,540,986 |
| Deferred tax liabilities | (18,721) | (18,295) |
| | 1,385,276 | 1,522,691 |

## 20. 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, 2020 | 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 (Audited) | 1,516,527 | 420 | (7,255) | 58,843 | (61,065) | 15,221 | 1,522,691 |
| Credit/(charge) to profit or loss | **(172,656)** | **433** | **2,994** | **37,822** | **(8,615)** | **2,745** | **(137,277)** |
| Charge to other comprehensive income | **—** | **(157)** | **—** | **—** | **—** | **—** | **(157)** |
| Exchange differences | **(4)** | **(12)** | **—** | **(572)** | **617** | **(10)** | **19** |
| As at June 30, 2021 (Unaudited) | **1,343,867** | **684** | **(4,261)** | **96,093** | **(69,063)** | **17,956** | **1,385,276** |

## 21. OTHER ASSETS

### Non-current

| | 2021/6/30 RMB'000 (Unaudited) | 2020/12/31 RMB'000 (Audited) |
|---|---|---|
| Repossession of finance lease assets | **246,082** | 191,151 |
| Prepayments on acquisition of property and equipment and intangible assets | **263,377** | 5,991 |
| Long-term receivables from government cooperation projects (note) | **665,254** | 463,302 |
| Foreclosed assets | **99,242** | 83,384 |
| Assets with continuing involvement | **127,396** | 60,338 |
| Junior tranches of asset-backed securities | **131,002** | 62,132 |
| Deposits | **10,005** | 20,805 |
| Others | **138,007** | 76,509 |
| Sub-total | **1,680,365** | 963,612 |
| Less: Loss allowance | **(33,104)** | (19,069) |
| Total | **1,647,261** | 944,543 |

note: The Group provides financing services to local government-led infrastructure development and operation project participants through the public-private partnership model ("PPP Model"). The receivables from government-led projects under PPP Model is recognised in long-term receivables from government cooperation projects and project payables is recognised in government cooperation project payables, refer to Note 31.

### Current

| | 2021/6/30 RMB'000 (Unaudited) | 2020/12/31 RMB'000 (Audited) |
|---|---|---|
| Value added tax ("VAT") credit and others | **265,924** | 297,578 |
| Properties under development | **430,024** | 290,079 |
| Completed properties for sale | **229,160** | 230,175 |
| Prepayments | **70,230** | 81,782 |
| Deposits | **306,438** | 11,909 |
| Assets classified as held for sale(note) | **1,256,045** | — |
| Others | **52,817** | 40,800 |
| Sub-total | **2,610,638** | 952,323 |
| Less: Loss allowance | **(1,547)** | (58) |
| Total | **2,609,091** | 952,265 |

note: As at June 30, 2021, the net carrying amount of the Group's assets classified as held for sale mortgaged as collateral for the Group's bank borrowings amounted to RMB1,256,045 thousand (December 31, 2020: nil).

## 21. OTHER ASSETS (CONTINUED)

Movement of loss allowance for other assets are as follows:

| | **2021/6/30** | 2020/12/31 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Audited) |
| At beginning of the period/year | **19,127** | 8,002 |
| Charged to profit or loss | **18,400** | 16,166 |
| Derecognition | **(2,876)** | (5,041) |
| At end of the period/year | **34,651** | 19,127 |

## 22. ACCOUNTS RECEIVABLE

| | **2021/6/30** | 2020/12/31 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Audited) |
| Accounts receivable from: | | |
| — settlement of finance lease receivable | **31,287** | 37,142 |
| — operating lease | **72,105** | 30,085 |
| — others | **—** | 4,016 |
| Sub-total | **103,392** | 71,243 |
| Less: Loss allowance | **(39,533)** | (34,330) |
| Total | **63,859** | 36,913 |

## 22. ACCOUNTS RECEIVABLE (CONTINUED)

Analysed by aging as follows:

| | 2021/6/30<br>RMB'000<br>(Unaudited) | 2020/12/31<br>RMB'000<br>(Audited) |
|---|---|---|
| Within one year | 63,859 | 36,913 |
| Total | 63,859 | 36,913 |

Movements of loss allowance for accounts receivable are as follows:

| | 2021/6/30<br>RMB'000<br>(Unaudited) | 2020/12/31<br>RMB'000<br>(Audited) |
|---|---|---|
| At beginning of the period/year | 34,330 | 15,137 |
| Charged to profit or loss | 9,248 | 19,208 |
| Write-offs | (4,016) | — |
| Exchange differences | (29) | (15) |
| At end of the period/year | 39,533 | 34,330 |

## 23. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

| | 2021/6/30<br>RMB'000<br>(Unaudited) | 2020/12/31<br>RMB'000<br>(Audited) |
|---|---|---|
| Treasury bonds held under resale agreements | 600,000 | — |

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

| | 2021/6/30 RMB'000 (Unaudited) | 2020/12/31 RMB'000 (Audited) |
|---|---|---|
| Measured at fair value: | | |
| Funds (note) | 187,126 | 260,841 |
| Wealth management products | — | 30,006 |
| Equity instruments | 505,458 | 447,810 |
| Structured deposits | 207,316 | — |
| Asset management schemes and trust plans | 214,648 | 160,543 |
| Total | 1,114,548 | 899,200 |
| Analysed as: | | |
| Unlisted | 746,984 | 517,311 |
| Listed | 367,564 | 381,889 |
| Analysed as: | | |
| Current | 694,946 | 572,915 |
| Non-current | 419,602 | 326,285 |
| Total | 1,114,548 | 899,200 |

note: As at June 30, 2021, funds amounting to RMB5,481 thousand were managed by HFT Investment Management Co., Ltd. (December 31, 2020: RMB100,000 thousand). For the six months ended June 30, 2021, net gains from relevant funds amounted to RMB493 thousand (six months ended June 30, 2020: RMB1,653 thousand).

## 25. DERIVATIVE FINANCIAL INSTRUMENTS

| | 2021/6/30 (Unaudited) | | |
|---|---|---|---|
| | **Nominal Amount RMB'000** | **Assets RMB'000** | **Liabilities RMB'000** |
| *Derivatives under hedge accounting:* | | | |
| Interest rate swaps ("IRS") | **3,029,639** | **1,892** | **(108,687)** |
| Currency forwards | **996,641** | **—** | **(53,541)** |
| Cross currency interest rate swaps | **1,276,223** | **227** | **(60,638)** |
| *Derivatives held for trading:* | | | |
| Interest rate swaps | **180,000** | **—** | **(617)** |
| Total | **5,482,503** | **2,119** | **(223,483)** |

| | 2020/12/31 (Audited) | | |
|---|---|---|---|
| | Nominal Amount RMB'000 | Assets RMB'000 | Liabilities RMB'000 |
| *Derivatives under hedge accounting:* | | | |
| Interest rate swaps | 3,625,570 | — | (160,674) |
| Currency forwards | 1,337,287 | — | (85,526) |
| Cross currency interest rate swaps | 1,335,021 | — | (113,710) |
| Total | 6,297,878 | — | (359,910) |

As at June 30, 2021, fixed interest rates for USD IRS ranged from 1.3700% to 4.3650%, and fixed interest rates for RMB IRS were 4.4500% (December 31, 2020: fixed interest rates for USD IRS were from 1.3700% to 4.3650%).

As at June 30, 2021, currency forwards with forward exchange rates of buying USD and selling RMB ranged from 6.5223 to 7.3891 (December 31, 2020: from 6.7910 to 7.3891).

As at June 30, 2021, cross currency interest rate swaps with fixed interest rates for USD IRS ranged from 3.1300% to 4.2300% (December 31, 2020: from 2.5600% to 4.2300%) and cross currency interest rate swaps with forward exchange rates of buying USD and selling RMB ranged from 6.5830 to 7.0980 (December 31, 2020: from 6.5830 to 7.1839).

As at June 30, 2021, cross currency interest rate swaps with fixed interest rates for HKD IRS ranged from 4.1500% to 4.3500% (December 31, 2020: nil) and cross currency interest rate swaps with forward exchange rates of buying HKD and selling RMB ranged from 0.8215 to 0.8340 (December 31, 2020: nil).

## 25. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

### Cash flow hedge

During the six months ended June 30, 2021, the Group used interest rate swaps, currency forwards, cross currency interest rate swaps to hedge against exposures to cash flow variability primarily from interest rate and foreign exchange risks of borrowings.

During the six months ended June 30, 2021, the Group's net gain from the cash flow hedge of RMB44,235 thousand was recognised in other comprehensive income (six months ended June 30, 2020: net loss of RMB116,645 thousand).

## 26. CASH AND BANK BALANCES

| | 2021/6/30<br>RMB'000<br>(Unaudited) | 2020/12/31<br>RMB'000<br>(Audited) |
|---|---|---|
| Restricted bank deposits (note) | 882,781 | 606,032 |
| Cash and bank balances | 6,436,868 | 4,570,959 |
| Less: Loss allowance | (13) | (23) |
| Total | 7,319,636 | 5,176,968 |

note: This represents deposits held by the Group that were pledged mainly relating to bank acceptance bill, borrowings and aircraft maintenance funds as at June 30, 2021 and December 31, 2020, and were restricted for use.

## 27. BORROWINGS

| | 2021/6/30<br>RMB'000<br>(Unaudited) | 2020/12/31<br>RMB'000<br>(Audited) |
|---|---|---|
| Bank borrowings | 40,812,865 | 39,164,708 |
| Borrowings from related parties | 1,075,607 | 1,840,244 |
| Other financial institutions borrowings | 2,259,754 | 2,824,836 |
| Lease liabilities | 143,365 | 171,786 |
| Total | 44,291,591 | 44,001,574 |
| Analysed as: | | |
| Current | 22,932,560 | 22,205,176 |
| Non-current | 21,359,031 | 21,796,398 |
| Total | 44,291,591 | 44,001,574 |

### 27a. Bank borrowings

| | 2021/6/30<br>RMB'000<br>(Unaudited) | 2020/12/31<br>RMB'000<br>(Audited) |
|---|---|---|
| Secured borrowings | 12,177,598 | 13,321,097 |
| Unsecured and unguaranteed borrowings | 28,635,267 | 25,843,611 |
| Total | 40,812,865 | 39,164,708 |
| Analysed as: | | |
| Current | 22,334,005 | 20,255,373 |
| Non-current | 18,478,860 | 18,909,335 |
| Total | 40,812,865 | 39,164,708 |

## 27. BORROWINGS (CONTINUED)

### 27a. Bank borrowings (continued)

| | 2021/6/30<br>RMB'000<br>(Unaudited) | 2020/12/31<br>RMB'000<br>(Audited) |
|---|---|---|
| Carrying amount repayable: | | |
| Within one year | **22,334,005** | 20,255,373 |
| More than one year but not exceeding two years | **10,147,990** | 10,370,930 |
| More than two years but not exceeding five years | **7,711,560** | 7,948,646 |
| More than five years | **619,310** | 589,759 |
| Total | **40,812,865** | 39,164,708 |

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, other assets and the Company's equity interests in subsidiaries. Refer to Notes 16, 17, 18, 21 and 26 for details.

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

| | 2021/6/30<br>(Unaudited) | 2020/12/31<br>(Audited) |
|---|---|---|
| Contractual interest rate: | | |
| Fixed-rate borrowings | **0.5%–5.45%** | 2.3375%–5.45% |
| Floating-rate borrowings | **The People's Bank Of China ("PBOC") lending Rate *100%–108%** | PBOC lending Rate *100%–112% |
| | **London Inter Bank Offered Rate ("LIBOR") Plus 0.92%–1.8%** | LIBOR Plus 0.92%–1.55% |
| | **Hong Kong Inter Bank Offered Rate ("HIBOR") Plus 0.50%–0.55%** | |
| | **Loan Prime Rate ("LPR") Plus -1.25%–1.47%** | LPR Plus -1.25%–1.47% |

## 27. BORROWINGS (CONTINUED)

### 27b. Borrowings from related parties

| | 2021/6/30<br>RMB'000<br>(Unaudited) | 2020/12/31<br>RMB'000<br>(Audited) |
|---|---|---|
| Carrying amount repayable: | | |
| Within one year | 22,610 | 776,686 |
| More than one year but not exceeding two years | 1,052,997 | — |
| More than two years but not exceeding five years | — | 1,063,558 |
| Total | 1,075,607 | 1,840,244 |

As at June 30, 2021 and December 31, 2020, the borrowings from related parties were all unsecured, and the effective interest rates per annum of the Group ranged from 2.70% to 4.00% and from 2.70% to 4.50%, respectively.

### 27c. Other financial institutions borrowings

| | 2021/6/30<br>RMB'000<br>(Unaudited) | 2020/12/31<br>RMB'000<br>(Audited) |
|---|---|---|
| Secured borrowings | 762,753 | 1,325,336 |
| Unsecured and unguaranteed borrowings | 1,497,001 | 1,499,500 |
| Total | 2,259,754 | 2,824,836 |
| Analysed as: | | |
| Current | 517,075 | 1,111,667 |
| Non-current | 1,742,679 | 1,713,169 |
| Total | 2,259,754 | 2,824,836 |

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

## 27. BORROWINGS (CONTINUED)

### 27c. Other financial institutions borrowings (continued)

| | 2021/6/30<br>RMB'000<br>(Unaudited) | 2020/12/31<br>RMB'000<br>(Audited) |
|---|---|---|
| Carrying amount repayable: | | |
| Within one year | 517,075 | 1,111,667 |
| More than one year but not exceeding two years | 1,647,683 | 1,713,169 |
| More than two years but not exceeding five years | 94,996 | — |
| Total | 2,259,754 | 2,824,836 |

As at June 30, 2021 and December 31, 2020, the effective interest rate per annum of the borrowings from other financial institutions ranged from 4.05% to 5.45% and from 4.10% to 5.45%, respectively.

### 27d. Lease liabilities

| | 2021/6/30<br>RMB'000<br>(Unaudited) | 2020/12/31<br>RMB'000<br>(Audited) |
|---|---|---|
| Carrying amount repayable: | | |
| Within one year | 58,870 | 61,450 |
| More than one year but not exceeding two years | 47,663 | 52,842 |
| More than two years but not exceeding five years | 36,832 | 57,494 |
| Total | 143,365 | 171,786 |
| Amount due for settlement within 12 months shown under current liabilities | 58,870 | 61,450 |
| Amount due for settlement after 12 months shown under non-current liabilities | 84,495 | 110,336 |

## 28. ACCRUED STAFF COSTS

| | 2021/6/30 RMB'000 (Unaudited) | 2020/12/31 RMB'000 (Audited) |
|---|---|---|
| Salaries, bonus and allowances and others | **170,216** | 217,571 |
| Total | **170,216** | 217,571 |

## 29. ACCOUNTS PAYABLE

| | 2021/6/30 RMB'000 (Unaudited) | 2020/12/31 RMB'000 (Audited) |
|---|---|---|
| Payable for acquisition of leasing equipment and other | **300,106** | 30,118 |
| Analysed by aging as: | | |
| Within 60 days | **297,622** | 6,947 |
| More than 60 days | **2,484** | 23,171 |
| Total | **300,106** | 30,118 |

## 30. BONDS PAYABLE

| | 2021/6/30 RMB'000 (Unaudited) | 2020/12/31 RMB'000 (Audited) |
|---|---|---|
| Analysed as: | | |
| Current | 18,899,497 | 18,408,850 |
| Non-current | 15,120,414 | 13,951,119 |
| Total | 34,019,911 | 32,359,969 |

### 30a. Bonds payable analysed by nature

| | 2021/6/30 RMB'000 (Unaudited) | 2020/12/31 RMB'000 (Audited) |
|---|---|---|
| Short-term commercial papers (note i) | 499,618 | 499,168 |
| Ultra-short-term commercial papers (note ii) | 4,996,649 | 4,998,405 |
| Asset-backed securities (note iii) | 10,204,056 | 9,905,706 |
| Fixed medium-term notes (note iv) | 2,880,936 | 3,768,461 |
| Corporate bonds (note v) | 9,665,053 | 7,865,712 |
| Private placement notes (note vi) | 4,491,045 | 4,591,182 |
| Asset-backed notes (note vii) | 1,282,554 | 731,335 |
| Total | 34,019,911 | 32,359,969 |

notes:

(i): Short-term commercial papers

| Issue Date | Outstanding principal amount RMB'million | Coupon rate | Term |
|---|---|---|---|
| November 25, 2020 | 500 | 4.17% | 1 year |

## 30. BONDS PAYABLE (CONTINUED)

### 30a. Bonds payable analysed by nature (continued)

(ii): Ultra-short-term commercial papers

| Issue Date | Outstanding principal amount RMB'million | Coupon rate | Term |
|---|---|---|---|
| February 1, 2021 | 500 | 3.60% | 206 days |
| February 2, 2021 | 500 | 3.80% | 177 days |
| March 16, 2021 | 500 | 3.20% | 149 days |
| April 21, 2021 | 1,000 | 3.25% | 176 days |
| April 29, 2021 | 1,000 | 3.35% | 266 days |
| May 19, 2021 | 1,000 | 3.25% | 245 days |
| May 21, 2021 | 500 | 3.30% | 270 days |

(iii): Asset-backed securities

| Issue Date | Outstanding principal amount RMB'million | Coupon rate (note) | Term |
|---|---|---|---|
| February 27, 2019 | Senior: 11; Junior: 80 | Senior: 5.00% | Senior: 34 months; Junior: 37 months |
| June 14, 2019 | Senior: 123; Junior: 80 | Senior: 4.50% | Senior: 33 months; Junior: 36 months |
| August 27, 2019 | Senior: 114; Junior: 74 | Senior: 4.45% | Senior: 32 months; Junior: 35 months |
| October 31, 2019 | Senior: 67; Junior: 50 | Senior: 4.60% | Senior: 32 months; Junior:35 months |
| December 24, 2019 | Senior: 204; Junior: 50 | Senior: 4.35% and 4.60% | Senior: 33 months; Junior: 36 months |
| December 26, 2019 | Senior: 2; Junior: 50 | Senior: 4.60% | Senior: 20 months; Junior: 56 months |
| March 24, 2020 | Senior: 134; Junior: 50 | Senior: 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: 308; Junior: 50 | Senior: 2.95% and 3.40% | Senior: 34 months; Junior: 34 months |
| May 28, 2020 | Senior: 379; Junior: 46 | Senior: 2.84% and 3.40% | Senior: 26 months; Junior: 26 months |
| June 17, 2020 | Senior: 439; Junior: 50 | Senior: 3.60% and 3.70% | Senior: 33 months; Junior: 36 months |
| June 19, 2020 | Senior: 282; Junior: 50 | Senior: 3.54% and 3.80% | Senior: 20 months; Junior: 41 months |
| July 28, 2020 | Senior: 495; Junior: 50 | Senior: 3.85% and 4.10% | Senior: 35 months; Junior: 35 months |
| August 11, 2020 | Senior: 408; Junior: 50 | Senior: 3.68% and 3.99% | Senior: 21 months; Junior: 49 months |

## 30. BONDS PAYABLE (CONTINUED)

### 30a. Bonds payable analysed by nature (continued)

(iii): Asset-backed securities (continued)

| Issue Date | Outstanding principal amount<br>RMB'million | Coupon rate (note) | Term |
|---|---|---|---|
| September 9, 2020 | Senior: 558;<br>Junior: 50 | Senior: 3.45%, 4.00% and 4.20% | Senior: 32 months;<br>Junior: 35 months |
| October 22, 2020 | Senior: 549;<br>Junior: 50 | Senior: 3.69%, 4.00% and 4.30% | Senior: 33 months;<br>Junior: 33 months |
| November 24, 2020 | Senior: 514;<br>Junior: 50 | Senior: 3.98%, 4.15% and 4.30% | Senior: 21 months;<br>Junior: 33 months |
| December 9, 2020 | Senior: 677;<br>Junior: 50 | Senior: 4.17%, 4.24% and 4.30% | Senior: 32 months;<br>Junior: 36 months |
| February 2, 2021 | Senior: 688;<br>Junior: 50 | Senior: 3.60%, 3.80% and 4.55% | Senior: 30 months;<br>Junior: 33 months |
| March 25, 2021 | Senior: 761;<br>Junior: 50 | Senior: 3.58%, 4.00% and 4.50% | Senior: 29 months;<br>Junior: 36 months |
| March 31, 2021 | Senior: 686;<br>Junior: 50 | Senior: 3.70%, 4.00% and 4.40% | Senior: 19 months;<br>Junior: 34 months |
| April 29, 2021 | Senior: 783;<br>Junior: 50 | Senior: 3.60%, 4.00% and 4.50% | Senior: 28 months;<br>Junior: 34 months |
| May 31, 2021 | Senior: 950;<br>Junior: 50 | Senior: 3.59%, 3.85% and 4.35% | Senior: 19 months;<br>Junior: 55 months |
| June 17, 2021 | Senior: 950;<br>Junior: 50 | Senior: 3.45%, 3.80% and 4.40% | Senior: 26 months;<br>Junior: 35 months |

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

(iv): Fixed medium-term notes

| Issue Date | Outstanding principal amount<br>RMB'million | Coupon rate | Term |
|---|---|---|---|
| July 13, 2016 | 290 | 4.10% | 5 years (3+2) |
| August 27, 2020 | 500 | 4.20% | 3 years |
| November 4, 2020 | 1,000 | 3.97% | 2 years |
| January 18, 2021 | 500 | 4.00% | 2 years |
| | USD'million | | |
| May 28, 2021 | 100 | 3.00% | 3 years |

## 30. BONDS PAYABLE (CONTINUED)

### 30a. Bonds payable analysed by nature (continued)

(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 |
| April 22, 2021 | 1,000 | 4.10% | 4 years (2+2) |
| June 16, 2021 | 800 | 3.85% | 4 years (2+2) |

(vi): Private placement notes

| Issue Date | Outstanding principal amount RMB'million | Coupon rate | Term |
|---|---|---|---|
| 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 |
| June 2, 2021 | 1,000 | 3.95% | 2 years |

(vii): Asset-backed notes

| Issue Date | Outstanding principal amount RMB'million | Coupon rate (note) | Term |
|---|---|---|---|
| November 11, 2019 | Senior: 32;<br>Junior: 50 | Senior: 4.57% | Senior: 29 months;<br>Junior: 32 months |
| March 23, 2020 | Senior: 284;<br>Junior: 50 | Senior: 3.10% and 4.10% | Senior: 32 months;<br>Junior: 57 months |
| June 23, 2021 | Senior: 970;<br>Junior: 30 | Senior: 3.25% | Senior: 5 months;<br>Junior: 138 months |

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

## 31. OTHER LIABILITIES

| | 2021/6/30 RMB'000 (Unaudited) | 2020/12/31 RMB'000 (Audited) |
|---|---|---|
| **Current** | | |
| Amounts due to related parties | 100,352 | 33 |
| Deposits due within one year | 3,585,839 | 3,596,917 |
| Deferred revenue | 80,574 | 81,061 |
| Interest payable | 697,030 | 663,750 |
| Bank acceptance bill | 1,782,348 | 1,192,280 |
| Advance receipt | 20,536 | 13,560 |
| Other taxes payable | 7,470 | 9,866 |
| Accrued expenses | 124,746 | 147,677 |
| Government cooperation project payables (Note 21) | 224,336 | 230,483 |
| Government outsourcing project payables | 85,768 | 52,712 |
| Contract liabilities | 289,020 | 204,020 |
| Dividends payable (Note 15) | 123,530 | — |
| Other payables | 307,819 | 284,675 |
| Total | 7,429,368 | 6,477,034 |
| **Non-current** | | |
| Deposits from customers | 6,152,571 | 6,912,746 |
| Deferred revenue | 500,050 | 592,924 |
| Deposits from suppliers and agents | 84,396 | 76,167 |
| Aircraft maintenance funds | 316,092 | 298,563 |
| Liabilities for continuing involvement | 127,396 | 60,338 |
| Other payables | 228,107 | 218,564 |
| Total | 7,408,612 | 8,159,302 |

## 32. SHARE CAPITAL

| | 2021/6/30<br>RMB'000<br>(Unaudited) | 2020/12/31<br>RMB'000<br>(Audited) |
|---|---|---|
| Issued and fully paid capital | | |
| At beginning of the period/year | **8,235,300** | 8,235,300 |
| Additions | **—** | — |
| At end of the period/year | **8,235,300** | 8,235,300 |

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

## 33. OTHER EQUITY INSTRUMENTS

(i) 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.

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.

## 33. OTHER EQUITY INSTRUMENTS (CONTINUED)

(ii) As at February 26, 2021, the Company issued a renewable corporate bond with principal amount of RMB1,500,000 thousand and value date on March 1, 2021.

The above financial instrument has no fixed maturity date and the Company may choose to defer the principal in accordance with the contractual terms.

Unless the compulsory interest payment events mentioned below have occurred, the Company has the right to choose to defer 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.

Haitong Securities Co., Ltd. has subscribed principal amount of RMB20,000 thousand of above renewable corporate bond.

(iii) Based on the terms and conditions mentioned above, the directors of the Company are of the view that the Company has an unconditional right to avoid delivering cash or other financial assets. Accordingly, the above renewable trust plan and renewable corporate bond are recognised as other equity instruments under IAS 32 "*Financial Instruments: Presentation*".

(iv) On March 12, 2021, the Company redeemed the perpetual medium-term note issued at March 11, 2016 with principal amount of RMB1,200,000 thousand.

During the six months ended June 30, 2021, profit attributable to the holders of other equity instruments of the Group amounting to RMB41,019 thousand (six months ended June 30, 2020: RMB24,905 thousand), are determined with reference to the distribution rate specified in the terms and conditions.

## 34. TRANSFERS OF FINANCIAL ASSETS

### Asset-backed securities

The Group enters into securitisation transactions in the normal course of business by which it transfers finance lease receivables and receivables arising from sale and leaseback arrangements to structured entities which issue asset-backed securities to investors.

In some cases, the Group holds all the junior tranches asset-backed securities, substantially all the risks and rewards of ownership of the transferred assets are retained, so the Group continues to recognise the transferred asset in its entirety and recognises bonds payable for the consideration received.

As at June 30, 2021, the carrying amount of finance lease receivables and receivables arising from sale and leaseback arrangements that have been transferred but not derecognised was RMB10,777 million (December 31, 2020: RMB10,467 million).

As at June 30, 2021, the related carrying amount of financial liabilities was RMB10,204 million (December 31, 2020: RMB9,906 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 June 30, 2021, 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 RMB795 million (December 31, 2020: RMB451 million).

As at June 30, 2021, the carrying amount of assets that the Group continued to recognise was RMB127 million (December 31, 2020: RMB60 million). The Group recognised the same amount arising from such continuing involvement in other assets and other liabilities.

### Asset-backed notes

The Group enters into securitisation transactions in the normal course of business by which it transfers finance lease receivables and factoring receivables to structured entities which issue asset-backed notes in National Association of Financial Market Institutional Investors to investors. As the Group holds all the junior tranches asset-backed notes, substantially all the risks and rewards of ownership of the transferred assets are retained, so the Group continues to recognise the transferred asset in its entirety and recognises bonds payable for the consideration received.

As at June 30, 2021, the carrying amount of finance lease receivables and factoring receivables that have been transferred but not derecognised was RMB1,191 million (December 31, 2020: RMB1,077 million).

As at June 30, 2021, the related carrying amount of financial liabilities was RMB1,283 million (December 31, 2020: RMB731 million).

## 35. CASH AND CASH EQUIVALENTS

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

| | 2021/6/30<br>RMB'000<br>(Unaudited) | 2020/12/31<br>RMB'000<br>(Audited) |
|---|---|---|
| Deposit in banks | 6,436,868 | 4,570,959 |
| Total | 6,436,868 | 4,570,959 |

## 36. CAPITAL COMMITMENTS

| | 2021/6/30<br>RMB'000<br>(Unaudited) | 2020/12/31<br>RMB'000<br>(Audited) |
|---|---|---|
| Contracted, but not provided for: | | |
| Construction agreements under Public-Private Partnership and government outsourcing projects | 2,300,759 | 2,633,605 |
| Property and equipment | 321,640 | 590,503 |
| Total | 2,622,399 | 3,224,108 |

## 37. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

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

| Name of the related party | Relationship of the related party |
|---|---|
| Haitong UT Capital Group Co., Limited | Parent Company |
| Haitong Securities Co., Ltd. | Ultimate Holding Company |
| Haitong Innovation Securities Investment Co., Ltd. | Shareholder |
| HFT Investment Management Co., Ltd. | Fellow Subsidiary |
| Shanghai Haitong Securities Asset Management Co., Ltd. | Fellow Subsidiary |
| Shanghai HFT Fortune Asset Management Co., Ltd. | Fellow Subsidiary |
| Unican Limited | Fellow Subsidiary |
| Shanghai Weitai Properties Management Co., Ltd. | Fellow Subsidiary |
| Gui'an UT Financial Leasing (Shanghai) Co., Ltd. ("Gui'an UT") (note) | Joint Venture Company (Before business combination in September, 2020) |

note: Before September 2020, Gui'an UT (currently known as "Haitong UT MSE Financial Leasing (Shanghai) Co., Ltd.) was the joint venture of the Company, and the Company held 40% equity interest of Gui'an UT. In September, 2020, the Company entered into an agreement to acquire the 60% equity interest of Gui'an UT from Guizhou Gui'an Financial Investment Co., Ltd. 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.

Other than as disclosed elsewhere in these condensed consolidated financial statements, the Group had the following material transactions with the related parties for the six months ended June 30, 2021 and 2020:

(1) Interest expenses

| | Six months ended June 30, | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| Unican Limited | **19,540** | 21,389 |
| Haitong UT Capital Group Co., Limited | **11,993** | 18,506 |

(2) Other income, gains or losses

| | Six months ended June 30, | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| Gui'an UT Financial Leasing (Shanghai) Co., Ltd. (note) | **–** | 30,616 |

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).

## 37. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(3) Other operating expenses

| | Six months ended June 30, | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| Haitong Securities Co., Ltd. | **—** | 2,641 |
| Shanghai Weitai Properties Management Co., Ltd. | **—** | 6,871 |

The Group had the following material balances with the related parties as at June 30, 2021 and December 31, 2020:

(4) Cash and bank balances

| | **2021/6/30** | 2020/12/31 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Audited) |
| Haitong Securities Co., Ltd. (note) | **4,613** | — |

note: The cash and bank balances refers to security account which was opend in Haitong Securities Co., Ltd. and held in custody by the bank.

(5) Borrowings

| | **2021/6/30** | 2020/12/31 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Audited) |
| Unican Limited | **1,075,607** | 1,086,395 |
| Haitong UT Capital Group Co., Limited | **—** | 753,849 |

(6) Bonds payable

| | **2021/6/30** | 2020/12/31 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Audited) |
| Haitong Securities Co., Ltd. (note) | **—** | 24,088 |

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

(7) Other liabilities

| | **2021/6/30** | 2020/12/31 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Audited) |
| Haitong UT Capital Group Co., Limited | **214,734** | 34,427 |
| Unican Limited | **93,083** | 94,978 |
| Haitong Innovation Securities Investment Co., Ltd. | **36,613** | — |

## 37. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(8) Other equity investment

| | 2021/6/30<br>RMB'000<br>(Unaudited) | 2020/12/31<br>RMB'000<br>(Audited) |
|---|---|---|
| Haitong Securities Co., Ltd. (note) | 20,000 | — |

note: Refer to Note 33 for details.

(9) Others

(a) Key management personnel:

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

| | Six months ended June 30, | |
|---|---|---|
| | 2021<br>RMB'000<br>(Unaudited) | 2020<br>RMB'000<br>(Unaudited) |
| Basic salaries and allowances | 3,051 | 3,046 |
| Bonus | 14,407 | 15,674 |
| Employer's contribution to pension schemes | 1,372 | 1,235 |

(b) Payment of referral service fees to related party

| | Six months ended June 30, | |
|---|---|---|
| | 2021<br>RMB'000<br>(Unaudited) | 2020<br>RMB'000<br>(Unaudited) |
| Haitong Securities Co., Ltd. (note) | 656 | 1,066 |

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

## 37. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(9) Others (continued)

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

| | Six months ended June 30, | |
|---|---|---|
| | **2021** | 2020 |
| | **RMB'000** | RMB'000 |
| | **(Unaudited)** | (Unaudited) |
| Haitong Securities Co., Ltd. | **39,104** | 29,965 |
| Shanghai HFT Fortune Asset Management Co., Ltd. | **253** | — |
| Shanghai Haitong Securities Asset Management Co., Ltd. | **3,735** | 3,640 |

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.

## 38. FINANCIAL RISK MANAGEMENT

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

During the six months ended June 30, 2021, there has been no material changes in the risk management policies. The condensed consolidated financial statements do not include all financial risk management information and disclosure and should be read in conjunction with the consolidated financial statements for the year ended December 31, 2020.

## 39. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

### Financial instruments that are 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) |
|---|---|---|---|---|
| | **2021/6/30 RMB'000 (Unaudited)** | 2020/12/31 RMB'000 (Audited) | | |
| 1) Financial assets at fair value through profit or loss: | | | | |
| — Funds | **187,126** | 260,841 | 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 | **85,855** | 111,571 | Level 1 | Quoted bid price in an active market. |
| | **–** | 65,309 | Level 2 | Based on latest round of financing. |
| | **419,603** | 270,930 | Level 3 | Quoted market prices with an adjustment of discount for lack of marketability; or using market approach, with reference to the market value of the comparable listed company, as well as the liquidity discount impact; or using transaction price, with reference to the last capital injection of new investor; or discounted cash flow. Future cash flows are discounted using weighted average cost of capital. |

## 39. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

| Financial assets/ financial liabilities | Fair value as at 2021/6/30 RMB'000 (Unaudited) | Fair value as at 2020/12/31 RMB'000 (Audited) | Fair value Hierarchy | Valuation technique(s) and key input(s) |
|---|---|---|---|---|
| — Structured deposits | **207,316** | — | 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 | **214,648** | 160,543 | Level 2 | Net asset value as published by the issuer/financial institution. |
| 2) Currency forwards | **Liabilities: (53,541)** | Liabilities: (85,526) | Level 2 | Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties. |
| 3) Interest rate swaps | **Assets: 1,892 Liabilities: (109,304)** | Assets: — Liabilities: (160,674) | 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. |

## 39. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

| Financial assets/ financial liabilities | Fair value as at | | Fair value Hierarchy | Valuation technique(s) and key input(s) |
|---|---|---|---|---|
| | **2021/6/30 RMB'000 (Unaudited)** | 2020/12/31 RMB'000 (Audited) | | |
| 4) Cross currency interest rate swaps | **Assets: 227 Liabilities: (60,638)** | Assets: — Liabilities: (113,710) | Level 2 | Discounted cash flow. Future cash flows are estimated based on forward exchange/interest rates (from observable forward exchange rates/observable yield curves at the end of the reporting period) and contract exchange/ interest rates, discounted at a rate that reflects the credit risk of various counterparties. |

Management determines the fair value of the Group's level 3 equity instruments using valuation techniques that incorporate unobservable input. The unobservable input is discount for lack of marketability. The higher the discount rate, the lower the fair value.

There was no transfers between Level 1 and Level 2 during the six months ended June 30, 2021 and the year ended December 31, 2020.

## 39. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

### Reconciliation of Level 3 fair value measurements

| | Equity instruments RMB'000 |
|---|---|
| At December 31, 2020 (Audited) | **270,930** |
| Profit or loss | |
| — In profit or loss | **26,713** |
| Additions | **71,988** |
| Transfers to level 1 | **(15,337)** |
| Transfers from level 2 | **65,309** |
| At June 30, 2021 (Unaudited) | **419,603** |
| Total unrealised gains or losses included in the condensed consolidated statement of profit or loss for assets held at June 30, 2021 for the period | **21,298** |

| | Equity instruments RMB'000 |
|---|---|
| At December 31, 2019 (Audited) | 35,921 |
| Profit or loss | |
| — In profit or loss | (285) |
| Additions | 300,603 |
| Transfers to level 2 | (65,309) |
| At December 31, 2020 (Audited) | 270,930 |
| Total unrealised gains or losses included in the consolidated statement of profit or loss for assets held at December 31, 2020 for the year | (30,202) |

## 39. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

### Financial instruments that are not measured at fair value

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

| | **2021/6/30 (Unaudited)** | | | | |
|---|---|---|---|---|---|
| | **Carrying amount RMB'000** | **Fair value RMB'000** | **Level 1 RMB'000** | **Level 2 RMB'000** | **Level 3 RMB'000** |
| Financial liabilities: | | | | | |
| Bonds payable | **34,019,911** | **34,730,992** | **—** | **34,730,992** | **—** |

| | 2020/12/31 (Audited) | | | | |
|---|---|---|---|---|---|
| | Carrying amount RMB'000 | Fair value RMB'000 | Level 1 RMB'000 | Level 2 RMB'000 | Level 3 RMB'000 |
| Financial liabilities: | | | | | |
| Bonds payable | 32,359,969 | 32,505,904 | — | 32,505,904 | — |

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 condensed consolidated 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.

## 40. EVENTS AFTER THE END OF THE REPORTING PERIOD

On August 9, 2021, the Board of Directors of the Company announced that the wholly-owned subsidiaries of the Company, entered into the Aircraft Sale and Purchase Agreement with the independent external purchaser, pursuant to which (1) Haitong Unitrust No. 2 Limited agreed to sell one Airbus A320-232 aircraft to the independent external purchaser, (2) Haitong Unitrust No. 5 Limited agreed to sell one Airbus A320-233 aircraft to the independent external purchaser, and (3) Haitong Unitrust No. 6 Limited agreed to sell one Airbus A320-233 aircraft to the independent external purchaser, respectively.