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This announcement appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities or an invitation to enter into any agreement to do any such things, nor is it calculated to invite any offer to acquire, purchase or subscribe for any securities.

***This announcement and the listing document referred to herein have been published for information purposes only as required by the Listing Rules (as defined below) and do not constitute an offer to sell nor a solicitation of an offer to buy any securities. Neither this announcement nor anything referred to herein (including the listing document) forms the basis for any contract or commitment whatsoever**. For the avoidance of doubt, the publication of this announcement and the listing document referred to herein shall not be deemed to be an offer of securities made pursuant to a prospectus issued by or on behalf of the issuer for the purposes of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong nor shall it constitute an advertisement, invitation or document containing an invitation to the public to enter into or offer to enter into an agreement to acquire, dispose of, subscribe for or underwrite securities for the purposes of the Securities and Futures Ordinance (Cap. 571) of Hong Kong.*

*The material contained in this announcement is not for distribution or circulation, directly or indirectly, in or into the United States. This announcement is solely for the purpose of reference and does not constitute an offer to sell or the solicitation of an offer to buy any securities in the United States or any other jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. The securities referred to herein have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), and may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the securities are being offered and sold only outside the United States in offshore transaction in compliance with Regulation S under the Securities Act.*

***Notice to Hong Kong investors:** The Issuer and the Guarantor (each as defined below) confirm that the Notes (as defined in the offering circular appended herein) are intended for purchase by Professional Investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) only and will be listed on The Stock Exchange of Hong Kong Limited on that basis. Accordingly, the Issuer and the Guarantor confirm that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.*

PUBLICATION OF THE OFFERING CIRCULAR

HAITONG UT BRILLIANT LIMITED

(incorporated with limited liability in Hong Kong)

(the "**Issuer**")

U.S.$1,000,000,000
Guaranteed Medium Term Note Programme (the "Programme")
unconditionally and irrevocably guaranteed by

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)

(the "**Guarantor**")

This announcement is issued pursuant to Rule 37.39A of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**").

Please refer to the offering circular dated 14 April 2022 (the "**Offering Circular**") appended hereto in relation to the Programme. As disclosed in the Offering Circular, the notes (the "**Notes**") to be issued under the Programme are intended for purchase by professional investors (as defined in Chapter 37 of the Listing Rules) only and will be listed on the Hong Kong Stock Exchange on that basis.

The Offering Circular does not constitute a prospectus, notice, circular, brochure or advertisement offering to sell any securities to the public in any jurisdiction, nor is it an invitation to the public to make offers to subscribe for or purchase any securities, nor is it circulated to invite offers by the public to subscribe for or purchase any securities.

Hong Kong SAR, 19 April 2022

As at the date of this announcement, the directors of the Issuer are Ms. ZHOU Jianli, Ms. LI Dandan and Mr. CHAN Yin Cheung.

As at the date of this announcement, the Chairman and executive Director of the Guarantor 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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IMPORTANT NOTICE

NOT FOR DISTRIBUTION TO ANY PERSON OR ADDRESS IN THE UNITED STATES

IMPORTANT: You must read the following before continuing. If you are not the intended recipient of this message, please do not distribute or copy the information contained in this e-mail, but instead, delete and destroy all copies of this e-mail including all attachments. The following applies to the offering circular following this page (the "**Offering Circular**"), and you are therefore advised to read this carefully before reading, accessing or making any other use of the Offering Circular. In accessing the Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD OR, IN THE CASE OF BEARER SECURITIES, DELIVERED WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THIS OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

ANY INVESTMENT DECISION SHOULD BE MADE ON THE BASIS OF THE FINAL TERMS AND CONDITIONS OF THE SECURITIES AND THE INFORMATION CONTAINED IN THE OFFERING CIRCULAR (AS AMENDED AND RESTATED) THAT WILL BE DISTRIBUTED TO YOU PRIOR TO THE PRICING DATE AND NOT ON THE BASIS OF THE ATTACHED DOCUMENTS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.

Confirmation of your Representation: In order to be eligible to view this Offering Circular or make an investment decision with respect to the securities, an investor must not be located within the United States. This Offering Circular is being sent at your request and by accepting the e-mail and accessing this Offering Circular, you shall be deemed to have represented to us that (1) you and any customers you represent are not in the United States; (2) the electronic mail address that you gave us and to which this e-mail has been delivered is not located in the United States and (3) you consent to delivery of such Offering Circular by electronic transmission.

You are reminded that this Offering Circular has been delivered to you on the basis that you are a person into whose possession this Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver this Offering Circular to any other person.

This Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuer, the Guarantor, Haitong International Securities Company Limited and Haitong Bank, S.A. (the "**Arrangers**"), the Dealers (as defined in this Offering Circular), any person who controls the Issuer, the Guarantor, any Arrangers or any Dealer, or any of the Guarantor's director, officer, employee or agent or any such person of the Arrangers or any of Dealers, or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between this Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Arrangers and the Dealers.

The materials relating to the offering of securities to which this Offering Circular relates do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and any Arranger or Dealer or any affiliate of such Arranger or Dealer is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by that Arranger or Dealer or such affiliate on behalf of the Issuer (as defined in this Offering Circular) in such jurisdiction.

Restrictions: Nothing in this electronic transmission constitutes, and may not be used in connection with, an offer or invitation by or on behalf of any of the Issuer, the Guarantor, the Arrangers or the Dealers to subscribe for or purchase any of the securities described therein, in any place where offers or solicitations are not permitted by law and access has been limited so that it shall not constitute directed selling efforts (within the meaning of Regulation S under the Securities Act).

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

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HAITONG UT BRILLIANT LIMITED

(incorporated with limited liability in Hong Kong)

U.S.$1,000,000,000

Guaranteed Medium Term Note Programme

Unconditionally and Irrevocably Guaranteed by

HAITONG UNITRUST INTERNATIONAL FINANCIAL LEASING CO., LTD.

(海通恒信國際融資租賃股份有限公司)

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

(Hong Kong Stock Exchange Stock Code: 1905)

Under the Guaranteed Medium Term Note Programme described in this Offering Circular (the "**Programme**"), Haitong UT Brilliant Limited (the "**Issuer**"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue medium term notes (the "**Notes**") unconditionally and irrevocably guaranteed (the "**Guarantee**") by Haitong Unitrust International Financial Leasing Co., Ltd. (海通恒信國際融資租賃股 份有限公司) (the "**Guarantor**"). The Issuer is a wholly-owned subsidiary of the Guarantor. The aggregate principal amount of Notes outstanding will not at any time exceed U.S.$1,000,000,000 (or its equivalent in other currencies), subject to increase as described herein.

Where applicable for a relevant Tranche of Notes, registration will be completed by the Guarantor pursuant to the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (Fa Gai Wai Zi [2015] No. 2044) (國家發展改革委關於推進企業發行外 債備案登記制管理改革的通知(發改外資[2015]2044號)) issued by the National Development and Reform Commission of the PRC (the "**NDRC**") on 14 September 2015 which came into effect on the same day and any implementation rules, regulations, certificates, circulars or notices in connection therewith issued by the NDRC from time to time (the "**NDRC Circular**"), as set forth in the relevant Pricing Supplement. After the issuance of such relevant Tranche of Notes, the Guarantor undertakes to report or cause to be reported the relevant information on the issuance of such Notes to the NDRC as soon as practicable but in any event within the time period prescribed by the NDRC Circular (the "**NDRC Post Issuance Filing**") and comply with all applicable PRC laws and regulations in relation to the NDRC Post Issuance Filing.

The Guarantor shall execute a Deed of Guarantee in connection with each Tranche of Notes, and shall (i) register or cause to be registered with the State Administration of Foreign Exchange of the PRC ("**SAFE**") the relevant Deed of Guarantee within the prescribed timeframe after its execution in accordance with the Provisions on the Foreign Exchange Administration of Cross-border Guarantees (跨境擔保外匯管理規定) of the PRC (the "**Cross-border Security Registration**"); and (ii) use its best endeavours to complete the Cross-border Security Registration on or before the relevant Registration Deadline (as defined in the Conditions of the Notes) and obtain the relevant SAFE registration certificate relating to such Cross-border Security Registration (or any other document evidencing completion of the Cross-border Security Registration).

Application has been made to The Stock Exchange of Hong Kong Limited (the "**HKSE**") for the listing of the Programme for 12 months after the date of this Offering Circular under which Notes may be issued to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("**Professional Investors**") only. This Offering Circular is for distribution to Professional Investors only.

Notice to Hong Kong investors: the Issuer and the Guarantor confirm that the Notes are intended for purchase by Professional Investors only and will be listed on the HKSE on that basis. Accordingly, the Issuer and the Guarantor confirm that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

HKSE has not reviewed the contents of this Offering Circular, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this Offering Circular to Professional Investors only have been reproduced in this Offering Circular. Listing of the Programme and the Notes on HKSE is not to be taken as an indication of the commercial merits or credit quality of the Programme, the Notes, the Issuer or the Guarantor or the Group or the quality of disclosure in this Offering Circular. Hong Kong Exchanges and Clearing Limited and the HKSE take no responsibility for the contents of this Offering Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular.

However, unlisted Notes and Notes to be listed, traded or quoted on or by any other competent authority, stock exchange or quotation system may be issued pursuant to the Programme. The relevant Pricing Supplement (as defined in "*Summary of the Programme*") in respect of the issue of any Notes will specify whether or not such Notes will be listed on the HKSE (or listed, traded or quoted on or by any other competent authority, other exchange or quotation system). Notice of the aggregate principal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche of Notes will be set out in the Pricing Supplement which, with respect to Notes to be listed on the HKSE, will be delivered to the HKSE, on or before the date of issue of such Tranche of Notes.

The Notes and the Guarantee have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") or with any securities regulatory authority of any state or other jurisdiction of the United States, and the Notes may include Bearer Notes (as defined herein) that are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold, or, in the case of Bearer Notes, delivered within the United States. The Notes are being offered and sold outside the United States in reliance on Regulation S under the Securities Act ("Regulation S"). Registered Notes are subject to certain restrictions on transfer, please see "*Subscription and Sale*".

The Notes of each Series issued in bearer form ("**Bearer Notes**") will be represented on issue by a temporary global note in bearer form (each a "**Temporary Bearer Global Note**") or a permanent global note in bearer form (each a "**Permanent Bearer Global Note**"). Notes in registered form ("**Registered Notes**") will be represented by a global note in registered form (each a "**Global Certificate**"). Global Notes or Global Certificates may be deposited on the relevant issue date with a common depositary on behalf of Euroclear Bank SA/NV ("**Euroclear**") and/or Clearstream Banking, S.A. ("**Clearstream**"), or with a sub-custodian for the Central Moneymarkets Unit Service ("**CMU**") operated by the Hong Kong Monetary Authority. The provisions governing the exchange of interests in Global Notes for other Global Notes and definitive Notes or in Global Certificates for Individual Note Certificates are described in "*Summary of provisions relating to the Notes while in Global Form*".

The Notes may be issued on a continuing basis to one or more of the Dealers specified under "*Summary of the Programme*" and any additional Dealer appointed under the Programme from time to time by the Issuer and the Guarantor (each a "**Dealer**" and together the "**Dealers**"), which appointment may be for a specific issue or on an ongoing basis. References in this Offering Circular to the "**relevant Dealer**" shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Notes.

Investing in the Notes involves certain risks. Prospective investors should have regard to the factors described under the section headed "*Risk Factors*" in this Offering Circular.

Arrangers

Haitong International **Haitong Bank**

Dealers

Haitong International **Haitong Bank**

The date of this Offering Circular is 14 April 2022

IMPORTANT NOTICE

Each of the Issuer and the Guarantor, having made all reasonable enquiries, confirms that to the best of their knowledge and belief (i) this Offering Circular contains all material information with respect to the Issuer, the Guarantor and the Group (as defined in this Offering Circular), the Notes and the Guarantee, (ii) all statements of fact relating to the Issuer, the Guarantor, the Group, the Notes and the Guarantee contained in this Offering Circular are in every material particular true and accurate and not misleading in any material respect, and that there are no other facts in relation to the Issuer, the Guarantor, the Group, the Notes and the Guarantee the omission of which would in the context of the issue of the Notes make any statement in this Offering Circular misleading in any material respect, (iii) the statements of intention, opinion, belief or expectation with regard to the Issuer, the Guarantor and the Group contained in this Offering Circular are honestly made or held and have been reached after considering all relevant circumstances and have been based on reasonable assumptions, and (iv) all reasonable enquiries have been made by the Issuer and the Guarantor to ascertain such facts and to verify the accuracy of all such statements.

This Offering Circular includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**HKSE Rules**") for the purposes of giving information with regard to the Issuer, the Guarantor and the Group. Each of the Issuer and the Guarantor accepts full responsibility for the accuracy of the information contained in this Offering Circular and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

Listing of the Notes on the HKSE is not to be taken as an indication of the merits of the Issuer, the Guarantor, the Group or the Notes. In making an investment decision, investors must rely on their own examination of the Issuer, the Group and the terms of the offering, including the merits and risks involved. Please see "*Risk Factors*" for a discussion of certain factors to be considered in connection with an investment in the Notes.

Each Tranche (as defined in "*Summary of the Programme*") of Notes will be issued on the terms set out herein under "*Terms and Conditions of the Notes*" (the "**Conditions**") as amended and/or supplemented by a document specific to such Tranche called a pricing supplement (the "**Pricing Supplement**"). This Offering Circular must be read and construed together with any amendments or supplements hereto and with any information incorporated by reference herein (please see "*Information Incorporated by Reference and Financial Information*") and, in relation to any Tranche of Notes, must be read and construed together with the relevant Pricing Supplement. This Offering Circular shall be read and construed on the basis that such documents are incorporated in and form part of this Offering Circular.

The distribution of this Offering Circular and any Pricing Supplement and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Guarantor, the Arrangers, the Dealers, the Trustee and the Agents (as defined in the Conditions) to inform themselves about and to observe any such restrictions. None of the Issuer, the Guarantor, the Arrangers, the Dealers, the Trustee or the Agents represents that this Offering Circular or any Pricing Supplement may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Guarantor, the Arrangers or the Dealers that would permit a public offering of any of the Notes or the distribution of this Offering Circular or any Pricing Supplement in any jurisdiction where action for such purposes is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and none of this Offering Circular, any Pricing Supplement or any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations.

There are restrictions on the offer and sale of the Notes, and the circulation of documents relating thereto, in certain jurisdictions including, but not limited to, the United States of America, the European Economic Area, the United Kingdom, the PRC, Hong Kong, Japan, Singapore and Portugal, and to persons connected therewith. For a description of certain further restrictions on offers, sales and resales of the Notes and on the distribution of this Offering Circular and any Pricing Supplement, please see "*Subscription and Sale*".

MiFID II product governance/target market – The Pricing Supplement in respect of any Notes may include a legend entitled "MiFID II Product Governance" which will outline the target market in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the target market; however, a distributor subject to Directive 2014/65/EU (as amended, "**MiFID II**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the "**MiFID Product Governance Rules**"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

UK MiFIR product governance / target market – The Pricing Supplement in respect of any Notes may include a legend entitled "UK MiFIR Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance Rules, any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MiFIR Product Governance Rules.

PRIIPs REGULATION – PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

PRIIPs REGULATION – PROHIBITION OF SALES TO UK RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

In connection with Section 309B of the Securities and Futures Act 2001 of Singapore (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Issuer has, unless otherwise specified before an offer of Notes, determined the classification of the Notes to be issued under the Programme as prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

No person has been authorised by the Issuer or the Guarantor to give any information or to make any representation other than those contained in this Offering Circular or any other document entered into in relation to the Programme and the sale of Notes and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer, the Guarantor, the Arrangers, any Dealer, the Trustee or any Agent. Neither the delivery of this Offering Circular or any Pricing Supplement nor any offering, sale or delivery made in connection with the issue of the Notes shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Issuer, the Guarantor, the Group or any of them since the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or create any implication that the information contained herein is correct as at any date subsequent to the date hereof or, if later, the date upon which this Offering Circular has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct as at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same. The Arrangers, the Dealers, the Trustee and the Agents expressly do not undertake to review the financial condition or affairs of the Issuer, the Guarantor or the Group during the life of the Programme or to advise any investor in the Notes of any information coming to their attention. Investors should review, *inter alia*, the most recently published documents incorporated by reference into this Offering Circular when deciding whether or not to purchase any Notes.

Neither this Offering Circular nor any Pricing Supplement constitutes an offer or an invitation to subscribe for or purchase any Notes and should not be considered as a recommendation by the Issuer, the Guarantor, the Arranger, the Dealers, the Trustee, the Agents or any director, officer, employee, agent or affiliate of any such person or any of them that any recipient of this Offering Circular or any Pricing Supplement should subscribe for or purchase any Notes. Each recipient of this Offering Circular or any Pricing Supplement shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer, the Guarantor and the Group.

None of the Arrangers, the Dealers, the Trustee, the Agents and their respective directors, officers, employees, agents and affiliates have independently verified any of the information contained in this Offering Circular and can give no assurance that this information is accurate, truthful or complete. Accordingly no representation or warranty or undertaking, express or implied, is made or given and no responsibility or liability is accepted by the Arrangers, the Dealers, the Trustee, the Agents or any of their respective directors, officers, employees, agents or affiliates as to the accuracy, completeness or sufficiency of the information contained or incorporated in this Offering Circular or any other information provided by the Issuer or the Guarantor in connection with the Programme, and nothing contained or incorporated in this Offering Circular is, or shall be relied upon as, a promise, representation or warranty by the Arrangers, the Dealers, the Trustee, the Agents or any of their respective directors, officers, employees, agents or affiliates. Neither this Offering Circular nor any other information supplied in connection with the Programme or any Notes: (i) is intended to provide the basis of any credit or other evaluation; or (ii) should be considered as a recommendation by the Issuer, the Guarantor, the Arrangers, any of the Dealers, the Trustee, any of the Agents or any of their respective directors, officers, employees, agents or affiliates that any recipient of this Offering Circular should purchase any Notes.

This Offering Circular does not describe all of the risks and investment considerations (including those relating to each investor's particular circumstances) of an investment in Notes of a particular issue. Each potential purchaser of Notes should refer to and consider carefully the relevant Pricing Supplement for each particular issue of Notes, which may describe additional risks and investment considerations associated with such Notes. The risks and investment considerations identified in this Offering Circular and the applicable Pricing Supplement are provided as general information only. Investors should consult their own financial and legal advisers as to the risks and investment considerations arising from an investment in an issue of Notes and should possess the appropriate resources to analyse such investment and the suitability of such investment in their particular circumstances.

To the fullest extent permitted by law, none of the Dealers, the Trustee, the Agents, the Arrangers and their respective directors, officers, employees, agents and affiliates accepts any responsibility for the contents of this Offering Circular or for any other statement, made or purported to be made by the Arranger, the Trustee, any Agent, a Dealer or any of their respective directors, officers, employees, agents or affiliates or on its behalf in connection with the Issuer, the Guarantor, the Group or the issue and offering of the Notes. The Arranger, the Trustee, each Agent, each Dealer and their respective directors, officers, employees, agents and affiliates accordingly disclaim all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Circular or any such statement. None of the Dealers, the Arrangers, the Trustee, the Agents and their respective directors, officers, employees, agents and affiliates accepts any liability in relation to the information contained or incorporated by reference in this Offering Circular or any other information provided by the Issuer or the Guarantor in connection with the Programme.

None of the Issuer, the Guarantor, the Arrangers, the Dealers, the Trustee and the Agents makes any representation to any investor in the Notes regarding the legality of its investment under any applicable laws. Any investor in the Notes should be able to bear the economic risk of an investment in the Notes for an indefinite period of time.

Unless otherwise specified or the context requires, references herein to "**Hong Kong**" are to the Hong Kong Special Administrative Region of the People's Republic of China, to the "**PRC**" are to the People's Republic of China excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan, to "**Hong Kong dollars**", "**HK dollars**" and "**HK$**" are to the lawful currency of Hong Kong, to "**U.S. dollars**" or "**U.S.$**" are to the lawful currency of the United States of America, to "**Renminbi**", "**RMB**" of "**CNY**" are to the lawful currency of the PRC, to "**sterling**" or "**£**" are to the currency of the United Kingdom, to "**euro**" or "**€**" are to the lawful currency of member states of the European Union that adopt the single currency introduced in accordance with the Treaty establishing the European Community, as amended from time to time, and to "**IFRS**" are to International Financial Reporting Standards issued by the International Accounting Standards Board ("**IASB**").

In this Offering Circular, where information has been presented in thousands or millions of units, or as percentages, amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding. References to information in billions of units are to the equivalent of a thousand million units.

IN CONNECTION WITH THE ISSUE OF ANY TRANCHE OF NOTES, THE RELEVANT DEALER(S) ACTING AS STABILISATION MANAGER(S) (OR PERSONS ACTING ON BEHALF OF ANY STABILISATION MANAGER(S)) IN THE APPLICABLE PRICING SUPPLEMENT MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, STABILISATION MAY NOT NECESSARILY OCCUR. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE RELEVANT TRANCHE OF NOTES IS MADE AND, IF BEGUN, MAY CEASE AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE RELEVANT TRANCHE OF NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE RELEVANT TRANCHE OF NOTES. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE RELEVANT STABILISATION MANAGER(S) (OR PERSON(S) ACTING ON BEHALF OF ANY STABILISATION MANAGER(S)) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

In this Offering Circular, references to:

- "**AUM**" are to assets under management;

- "**Bloomberg**" are to a premier site for business and financial market news;

- "**Bondholder(s)**" are to holder(s) of the Bond(s);

- "**Business Day**" are to a business day in the location of the specified office of the Issuing and Paying Agent if the Notes are cleared through Euroclear and/or Clearstream or any other clearing system other than the CMU or the location of the specified office of the CMU Lodging and Paying Agent if the Notes are cleared through CMU and:

  (i) in the case of a currency other than euro or Renminbi, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency; and/or

  (ii) in the case of euro, a day on which the TARGET System is operating (a "**TARGET Business Day**"); and/or

(iii) in the case of Renminbi, a day (other than a Saturday, Sunday or public holiday) on which commercial banks in Hong Kong are generally open for business and settlement of Renminbi payments in Hong Kong; and/or

(iv) in the case of a currency and/or one or more Business Centres a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres;

- "**CAS (2006)**" are to the Accounting Standards for Business Enterprise issued by Ministry of Finance on 15 February 2006;
- "**CBIRC**" are to China Banking and Insurance Regulatory Commission which was formed by a merger of CBRC and China Insurance Regulatory Commission and approved by the National People's Congress of the PRC on 17 March 2018;
- "**CBRC**" are to China Banking Regulatory Commission;
- "**China**" or "**PRC**" are to the People's Republic of China, excluding, for the purpose of this Offering Circular, Hong Kong, Macau and Taiwan;
- "**China Financial Futures Exchange**" are to the China Financial Futures Exchange (中 國金融期貨交易所);
- "**ChiNext Board**" are to the growth enterprise board launched by the Shenzhen Stock Exchange;
- "**collective asset management scheme(s)**" are to a type of mutual fund managed by PRC securities firms in the PRC for retail customers;
- "**CNH**" are to the offshore RMB traded outside China;
- "**CSI 300 Index**" are to a capitalisation-weighted stock market index designed to replicate the performance of 300 stocks traded on the Shanghai Stock Exchange and the Shenzhen Stock Exchange, which is compiled by the China Securities Index Company, Ltd. (中證指數有限公司);
- "**CSRC**" are to the China Securities Regulatory Commission (中國證券監督管理委員會);
- "**Director(s)**" are to director(s) of the Guarantor;
- "**enterprise annuity**" are to the supplementary pension insurance scheme established voluntarily by enterprises and their employees in addition to the basic pension insurance in which they participate in accordance with the law;
- "**ETFs**" are to the exchange-traded funds;
- "**FICC**" are to fixed income currencies and commodities;
- "**futures IB business**" are to the business activities in which securities firms, as commissioned by futures companies, introduce customers to futures companies to provide futures brokerage and other related services;

- "**GEM**" are to the Growth Enterprise Market of the Hong Kong Stock Exchange;

- "**Group**" are to the Guarantor and its subsidiaries;

- "**Guarantor**" are to Haitong UniTrust International Financial Leasing Co., Ltd.（海通恒信國際融資租賃股份有限公司）(formerly known as Haitong UniTrust International Leasing Corporation（海通恒信國際租賃有限公司）), a company incorporated in the PRC on 9 July 2004 and converted into a joint stock limited company on 27 May 2017;

- "**Haitong Securities**" are to Haitong Securities Co., Ltd.（海通證券股份有限公司）, a company listed on HKSE under the stock code of 6837 and the Shanghai Stock Exchange under the stock code of 600837;

- "**HK$**", "**HKD**" or "**HK dollars**" are to Hong Kong dollars, the lawful currency of Hong Kong;

- "**HKFRS**" are to Hong Kong Financial Reporting Standards;

- "**Hong Kong Stock Exchange**" or "**HKSE**" are to The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited;

- "**Haitong UniFortune**" are to Haitong UniFortune International Leasing Co., Ltd.（海通恒運國際租賃有限公司）, a company incorporated in the PRC on 6 December 2011;

- "**Haitong UniTrust FTZ**" are to Haitong UniTrust Financial Leasing (Shanghai) Corporation（海通恒信融資租賃（上海）有限公司）, a company incorporated in the PRC on 29 July 2014;

- "**Haitong UT Leasing HK**" are to Haitong UT Leasing HK Limited（海通恒信租賃（香港） 有限公司）, a company incorporated in Hong Kong on 25 April 2017;

- "**IFRS**" are to the International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by the International Accounting Standards Board (IASB) and the International Accounting Standards (IAS) and interpretation issued by the International Accounting Standards Committee (IASC);

- "**international board**" are to a board to be established on the Shanghai Stock Exchange where foreign companies can list their shares;

- "**IPO**" are to initial public offering;

- "**Issuer**" are to Haitong UT Brilliant Limited, a limited liability company incorporated in Hong Kong, and is a wholly-owned subsidiary of the Guarantor;

- "**IT**" are to information technology;

- "**large – and medium-sized enterprise**" or "**LME**" are to an enterprise that is not an MSE;

- "**Listing Rules**" are to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (as amended from time to time);

- "**Macau**" are to the Macau Special Administrative Region of the PRC;

- "**Ministry of Finance**" are to the Ministry of Finance of the PRC（中華人民共和國財政部）;

- "**micro – and small-sized enterprise**" or "**MSE**" are to an enterprise with an annual revenue of RMB100 million or less with a maximum net financing amount of RMB5 million under any single contract with the Group;

- "**MOFCOM**" are to the Ministry of Commerce of the PRC（中華人民共和國商務部）;

- "**MSE & Retail customers**" are to MSEs and individuals that are customers of the Group;

- "**NAFMII**" are to the National Association of Financial Market Institutional Investors（中國銀行間市場交易商協會）;

- "**NDRC**" are to National Development and Reform Commission of the PRC（中華人民共和國國家發展和改革委員會）;

- "**NPA(s)**" are to non-performing asset(s);

- "**NSSF**" are to the National Council for Social Security Fund of the PRC（全國社會保障基金理事會）;

- "**OTC**" are to over-the-counter;

- "**PBOC**" are to the People's Bank of China（中國人民銀行）, the central bank of the PRC;

- "**QDII**" are to Qualified Domestic Institutional Investor（合格境內機構投資者）;

- "**QFII**" are to Qualified Foreign Institutional Investor（合格境外機構投資者）;

- "**Regulation S**" are to Regulation S under the U.S. Securities Act;

- "**RQFII**" are to Renminbi Qualified Foreign Institutional Investor（人民幣合格境外機構投資者）, a programme launched in the PRC which allows Hong Kong subsidiaries of PRC brokerage companies and fund houses to facilitate investments of offshore Renminbi into the domestic securities market;

- "**RQFLP**" are to Renminbi Qualified Foreign Limited Partner（人民幣合格境外有限合夥人）;

- "**SAC**" are to the Securities Association of China（中國證券業協會）;

- "**SAFE**" are to State Administration of Foreign Exchange of the PRC（中華人民共和國國家外匯管理局）;

- "**SAMR**" are to State Administration for Market Regulation of the PRC（中華人民共和國國家市場監督管理總局）;

- “**SAOT**” are to State Administration of Taxation of the PRC（國家稅務總局）;

- “**Securities and Futures Ordinance**” or “**SFO**” are to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time;

- “**Securities Law**” are to the Securities Law of the People’s Republic of China（中華人民共和國證券法）;

- “**Shanghai Stock Exchange**” are to the Shanghai Stock Exchange（上海證券交易所）;

- “**Shenzhen Stock Exchange**” are to the Shenzhen Stock Exchange（深圳證券交易所）;

- “**Sino-foreign joint venture securities firm(s)**” are to (i) securities firm(s) established jointly by foreign shareholders and PRC shareholders through equity contributions in accordance with applicable PRC law; and (ii) securities firm(s) formed as a result of foreign investors being assigned, or subscribing for, equity interests in a PRC security firm in accordance with applicable PRC law. In each case, foreign shareholders shall not in the aggregate hold, directly or indirectly, more than one-third of the shares or equity interests in such securities firm;

- “**SMEs**” are to small and medium enterprises;

- “**SOE(s)**” are to state-owned enterprise(s);

- “**State Council**” are to State Council of the PRC（中華人民共和國國務院）;

- “**stock index futures**” are to cash-settled standardised futures contracts on the value of a particular stock market index;

- “**targeted asset management scheme(s)**” are to a type of special vehicle managed by PRC securities firms for annuity plans, other institutional investors and individual investors with large amount of investment assets;

- “**UniCircle**” are to Shanghai UniCircle Investment & Development Co., Ltd.（上海泛圓投資發展有限公司）, a company incorporated in the PRC on 20 July 2006;

- “**U.S.**” or “**United States**” are to the United States of America, its territories, its possessions and all areas subject to its jurisdiction;

- “**U.S. Securities Act**” are to the United States Securities Act of 1933, as amended, and the rules and regulations promulgated; and

- “**VAT**” are to value added tax.

In this Offering Circular, the terms “associate,” “connected transaction,” “subsidiary” and “substantial shareholder” shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

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

SPECIAL NOTE ON FORWARD-LOOKING STATEMENTS

Certain statements under "*Risk Factors*", "*Description of the Issuer*", "*Description of the Group*" and elsewhere in this Offering Circular constitute "forward-looking statements". The words including "believe", "expect", "plan", "anticipate", "intend", "schedule", "estimate", "could", "may", "going forward" and similar words or expressions identify forward-looking statements. In addition, all statements other than statements of historical facts included in this Offering Circular, including, but without limitation, those regarding the financial position, business strategy, prospects, capital expenditure and investment plans of the Group and the plans and objectives of the Group's respective management for their respective future operations (including development plans and objectives relating to the Group's respective operations), are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results or performance of the Group to differ materially from those expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Group's respective present and future business strategies and the environment in which the Group will operate in the future. These forward-looking statements reflect the views of the Issuer and/or the Guarantor with respect to future events and are not a guarantee of future performance or developments. Each of the Issuer and the Guarantor expressly disclaims any obligation or undertaking to release any updates or revisions to any forward-looking statements contained herein to reflect any change in the Issuer's, the Guarantor's or the Group's expectations with regard thereto or any change of events, conditions or circumstances, on which any such statements were based. This Offering Circular discloses, under "*Risk Factors*" and elsewhere, important factors that could cause actual results to differ materially from the Issuer's or the Guarantor's expectations. All subsequent written and forward-looking statements attributable to the Issuer or the Guarantor or persons acting on behalf of the Issuer or the Guarantor are expressly qualified in their entirety by such cautionary statements.

INFORMATION INCORPORATED BY REFERENCE AND FINANCIAL INFORMATION

This Offering Circular should be read and construed in conjunction with:

(i) each relevant Pricing Supplement;

(ii) all amendments and supplements from time to time to this Offering Circular;

(iii) any annual or interim financial statements (whether audited or unaudited) of the Guarantor that are appended to or circulated with this Offering Circular and are dated as at a date, or for a period ending, subsequent to those financial statements appearing elsewhere in this Offering Circular; and

(iv) any annual or interim financial statements (whether audited or unaudited) of the Guarantor that are published subsequent to those financial statements appearing elsewhere in this Offering Circular,

which shall be deemed to be incorporated in, and to form part of, this Offering Circular and which shall be deemed to modify or supersede the contents of this Offering Circular.

The Guarantor prepares its consolidated financial statements in accordance with IFRS. The consolidated balance sheets as at 31 December 2019, 2020 and 2021, the consolidated income statements, the consolidated statements of changes in shareholders' equity and the consolidated cash flow statements for the years ended 31 December 2019, 2020 and 2021 have been extracted from the audited consolidated financial statements audited by the independent auditor of the Guarantor, and included elsewhere in this Offering Circular together with the auditor's reports in respect of such financial years.

SUPPLEMENTAL OFFERING CIRCULAR

Each of the Issuer and the Guarantor has given an undertaking to the Permanent Dealers that unless the Issuer has notified the Permanent Dealers in writing that it does not intend to issue Notes under the Programme for the time being, (i) if at any time during the duration of the Programme any event shall have occurred as a result of which the Offering Circular, as then amended or supplemented, would include an untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they are made when such Offering Circular is delivered, not misleading, or (ii) if for any other reason it shall be necessary to amend or supplement the Offering Circular, each of the Issuer and the Guarantor shall as soon as practicable notify the Permanent Dealers (or, in the case of a change affecting a specific issue of Notes, the relevant Dealer or, if more than one, the relevant Dealer specified as the lead manager in the relevant subscription agreement (the "**Lead Manager**") on behalf of the relevant Dealers) and, upon reasonable request from the Permanent Dealers, relevant Dealer or Lead Manager, shall prepare and furnish without charge to the Permanent Dealers, relevant Dealer or Lead Manager as many copies as they may from time to time reasonably request of such amendment, supplement or replacement of the Offering Circular which will correct such statement or omission.

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SUMMARY

Overview

The Guarantor is a steadily growing financial leasing company in China and was established in 2004 as a foreign-invested enterprise. In 2013, Haitong Securities acquired the entire equity interest of parent company of the Guarantor in order to expand Haitong Securities' business to financial leasing field. The acquisition was duly completed in 2014 and since then Haitong Securities has become the ultimate controlling shareholder of the Group. In 2019, the Group successfully spun off from Haitong Securities and listed on the Main Board of the Hong Kong Stock Exchange on 3 June 2019. The Guarantor was the first listed securities-affiliated financial leasing company in China and strives to become the financial leasing company that leads industry innovation and boasts competitive edges in the capital market.

The headquarter of the Group is located in Shanghai and the Group operates seven specialised business departments, namely Public Services Department, Construction Department, Advanced Manufacturing Business Department, Digital Environmental Protection Business Department, Healthcare Business Department, Asset Transaction and Structured Financing Department and Project Management Department. As at 31 December 2021, the Group has also established 17 branches and 12 directly-held subsidiaries in areas including Hong Kong, Tianjin, Shandong, Hebei, Jiangxi, Anhui and Shanghai.

As the sole leasing platform and one of the key strategic segments of Haitong Securities, a leading securities firm in China, the Group offers customer-oriented and innovative financial services to a diverse group of customers across various industries by leveraging the investment banking expertise of Haitong Securities. The Group's businesses comprise financial leasing, operating leasing, factoring, entrusted loans and other loans, as well as advisory services. The Group achieved rapid growth in the recent years. For the years ended 31 December 2019, 2020 and 2021, the Group's consolidated revenue was RMB7,144.9 million, RMB7,915.0 million and RMB8,177.6 million, respectively, and its profit for the respective period was RMB1,354.9 million, RMB1,116.0 million and RMB1,412.9 million, respectively. As at 31 December 2019, 2020 and 2021, the Group's total assets was RMB99,047.3 million, RMB108,141.5 million and RMB114,741.3 million, respectively.

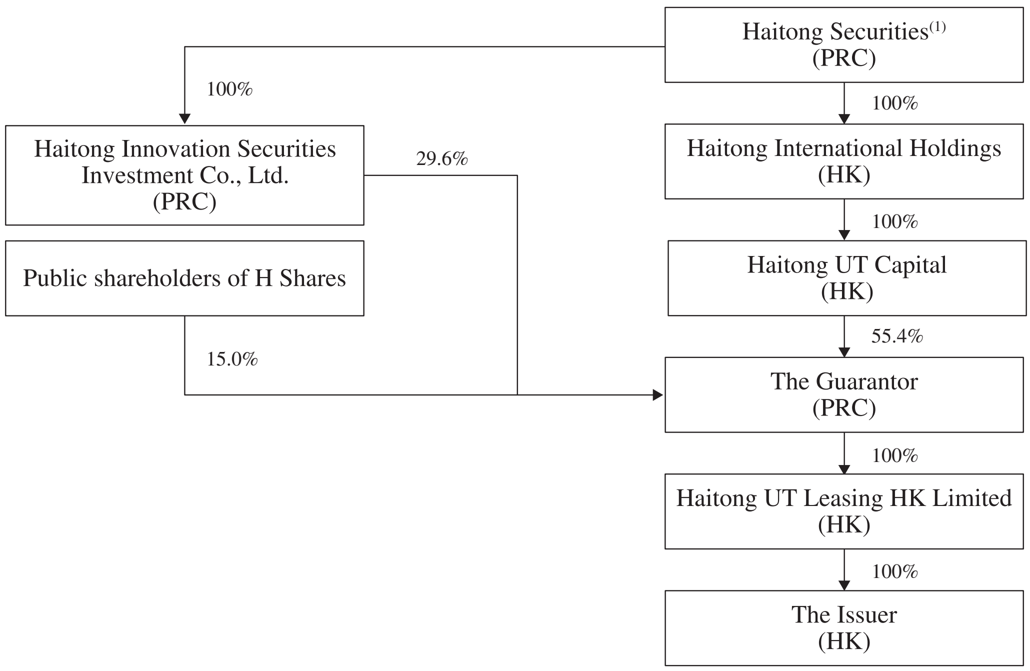
The Group has adopted a "One Body, Two Wings" business development model. On the one hand, its headquarters operates seven specialised business departments focusing on specific industries or customer segments that demand strong expertise. On the other hand, the Group has also built up a branch network providing comprehensive services to local customers. Such network has deepened its presence in local markets and enabled it to manage local operations in a cost-efficient manner. Through implementing a "One Body, Two Wings" development strategy, The Group has broadened its customer coverage and expanded its geographical layout and has gradually formed localized operation.

The Group is implementing a customer strategy to develop a balanced customer base. While the Group proactively develops LME customers and takes on large projects, it also strategically promotes businesses with MSE & Retail customers, which possess significant growth potentials. The Group has customers in a wide array of industries, including transportation & logistics, industrials, infrastructure, construction & real estate, healthcare, chemical industry and education.

The Group has a comprehensive and prudent risk management system covering various types of risks throughout its entire business processes. The Group applies its rich experience in the financial leasing industry and deep knowledge of capital markets in its risk management process. When the Group reviews the credit profiles of customers, it considers not only its basic financial indicators but also its growth potential and access to the capital markets. In the recent years, the Group maintained sound asset quality. As at 31 December 2019, 2020 and 2021, the NPA ratio of the Group's interest-earning assets was 1.08 per cent., 1.10 per cent. and 1.07 per cent., respectively.

Group Structure

The following chart sets out a simplified shareholding structure and key subsidiaries of the Group as at the date of this Offering Circular.



(1) Haitong Securities' A Shares are listed on the Shanghai Stock Exchange with a stock code of 600837 and its H Shares are listed on the main board of the Hong Kong Stock Exchange with a stock code of 6837.

Competitive Strengths

The Group believes that it has the following competitive strengths:

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

Strategies

The Group will pay close attention to the domestic and international economic conditions and the impacts of the COVID-19 pandemic, continue to adhere to the principle of serving real economy with financial services and coordinate and adopt regular precautionary measures and operation development initiatives in response to the pandemic. The Group will be committed to its development strategies, optimize and integrate internal and external resources, optimize resources allocation and deepen the application of information technology and financial technology. Efforts will be made to embrace challenges and seek opportunities in tough times and steer the direction of business restructuring. The Group will explore new development opportunities and identify the new needs of customers while strengthening its competitive business. The Group will also continue to consolidate its leading position and competitive strengths through the following strategies to promote its high-quality and sustainable development:

- Continue to expand sales and service network and strengthen the collaboration between headquarters' specialised departments and local teams of the Group

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

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

- Improve the comprehensive risk management system and strengthen the stable development of compliance

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

- Optimise performance-based incentive mechanism and further grow its high-quality professional team

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

SUMMARY OF THE PROGRAMME

The following summary is qualified in its entirety by the remainder of this Offering Circular. This summary must be read as an introduction to this Offering Circular and any decision to invest in the Notes should be based on a consideration of the Offering Circular as a whole, including any information incorporated by reference. Phrases used in this summary and not otherwise defined shall have the meanings given to them in "Terms and Conditions of the Notes".

Issuer:	Haitong UT Brilliant Limited.
Guarantor:	Haitong Unitrust International Financial Leasing Co., Ltd. (海通恒信國際融資租賃股份有限公司) (1905.HK).
Description:	Guaranteed Medium Term Note Programme.
Size:	Up to U.S.$1,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate principal amount of Notes outstanding at any one time. The Issuer and the Guarantor may increase the aggregate principal amount of the Programme in accordance with the terms of the Dealer Agreement.
Arrangers:	Haitong International Securities Company Limited and Haitong Bank, S.A.
Permanent Dealers:	Haitong International Securities Company Limited. Haitong Bank, S.A. The Issuer and the Guarantor may from time to time terminate the appointment of any dealer under the Programme or appoint dealers either in respect of one or more Tranches or in respect of the whole Programme. References in this Offering Circular to "**Dealers**" are to all persons appointed as a dealer in respect of one or more Tranches or the Programme.
Certain Restrictions:	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see "*Subscription and Sale*") including the following restriction applicable at the date of this Offering Circular. **Notes having a maturity of less than one year** Notes having a maturity of less than one year will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000 ("**FSMA**") unless they are

	issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent, see "*Subscription and Sale*".
Trustee:	The Bank of New York Mellon, London Branch.
Issuing and Paying Agent (in relation to Notes other than CMU Notes) and Calculation Agent:	The Bank of New York Mellon, London Branch.
CMU Lodging and Paying Agent:	The Bank of New York Mellon, Hong Kong Branch.
Registrar and Transfer Agent:	The Bank of New York Mellon, Hong Kong Branch.
Method of Issue:	The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a "**Series**") having one or more issue dates and on terms otherwise identical (or identical other than in respect of the issue date, the first payment of interest, the issue price and the timing for completion of the NDRC Post Issuance Filing and the Cross-border Security Registration), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a "**Tranche**") on the same or different issue dates. The specific terms of each Tranche (which will be completed, where necessary, with the relevant terms and conditions and, save in respect of the issue date, issue price, first payment of interest and principal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be completed in the relevant pricing supplement (the "**Pricing Supplement**").
Issue Price:	Notes may be issued at their principal amount or at a discount or premium to their principal amount. Partly Paid Notes may be issued, the issue price of which will be payable in two or more instalments.
Form of Notes:	Notes may be issued in bearer form or in registered form. Registered Notes will not be exchangeable for Bearer Notes and *vice versa.* Each Tranche of Bearer Notes will initially be in the form of either a Temporary Bearer Global Note or a Permanent Bearer Global Note, in each case as specified in the relevant Pricing Supplement. Each Global Note and Global Certificate will be deposited on or around the relevant issue date with a common depositary or sub-custodian for Clearstream, Euroclear and/or, as the case may be, the CMU and/or any other relevant

	clearing system. Each Temporary Bearer Global Note will be exchangeable for a Permanent Bearer Global Note or, if so specified in the relevant Pricing Supplement, for Definitive Notes. If the TEFRA D Rules are specified in the relevant Pricing Supplement as applicable, certification as to non-U.S. beneficial ownership will be a condition precedent to any exchange of an interest in a Temporary Bearer Global Note or receipt of any payment of interest in respect of a Temporary Bearer Global Note. Each Permanent Bearer Global Note will be exchangeable for Definitive Notes in accordance with its terms. Definitive Notes will, if interest-bearing, have Coupons attached and, if appropriate, a Talon for further Coupons. Registered Notes will initially be represented by Global Certificates. Global Certificates representing Registered Notes will be registered in the name of a nominee for one or more of Euroclear, Clearstream and the CMU.
Clearing Systems:	Clearstream, Euroclear and/or the CMU and, in relation to any Tranche, such other clearing system as may be agreed between the Issuer, the Issuing and Paying Agent, the Trustee and the relevant Dealer(s).
Initial Delivery of Notes:	On or before the issue date for each Tranche, the Global Note or the Global Certificate representing the Notes may be deposited with a common depositary for Euroclear and Clearstream or deposited with a sub-custodian for the CMU. Global Notes or Global Certificates may also be deposited with any other clearing system or may be delivered outside any clearing system provided that the method of such delivery has been agreed in advance by the Issuer, the Trustee, the Issuing and Paying Agent and the relevant Dealer. Registered Notes that are to be credited to one or more clearing systems on issue will be registered in the name of, or in the name of nominees or a common nominee for, such clearing systems.
Currencies:	Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency agreed between the Issuer, the Guarantor, the Issuing and Paying Agent and the relevant Dealers.
Maturities:	Subject to compliance with all relevant laws, regulations and directives, any maturity as may be agreed between the Issuer, the Guarantor and the relevant Dealer(s).
Specified Denomination:	Notes will be issued in such denominations as may be agreed between the Issuer, the Guarantor and the relevant Dealer save that the minimum denomination of each Note will be

	such as may be allowed or required from time to time by the central banks (or equivalent body) or any laws or regulations applicable to the relevant currency (please see "*Certain Restrictions*" above).
Fixed Rate Notes:	Fixed interest will be payable in arrear on such date or dates as may be agreed between the Issuer, the Guarantor and the relevant Dealer(s) and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer(s).
Floating Rate Notes:	Floating Rate Notes will bear interest determined separately for each Series as set out in the Conditions and the relevant Pricing Supplement.
Zero Coupon Notes:	Zero Coupon Notes may be issued at their principal amount or at a discount to it and will not bear interest.
Dual Currency Notes:	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange as the Issuer, the Guarantor and the relevant Dealer(s) may agree and as may be specified in the relevant Pricing Supplement.
Interest Periods and Interest Rates:	The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Floating Rate Notes may also have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the relevant Pricing Supplement.
Redemption:	The applicable Pricing Supplement will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than in specified instalments, if applicable, or for taxation reasons, or following a Change of Control, or following a Non-Registration Event or following an Event of Default) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving notice to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer, the Guarantor and the relevant Dealer. The applicable Pricing Supplement may provide that Notes may be redeemable in two or more instalments of such amounts and on such dates as are indicated in the applicable Pricing Supplement. Notes having a maturity of less than one year are subject to restrictions on their denomination and distribution, please

	see "*Certain Restrictions – Notes having a maturity of less than one year*" above.
Optional Redemption:	Notes may be redeemed before their stated maturity at the option of the Issuer (either in whole or in part) and/or the Noteholders to the extent (if at all) specified in the relevant Pricing Supplement and as described in "*Terms and Conditions of the Notes – Redemption, Purchase and Options*".
Change of Control Redemption:	The terms of the Notes will contain a provision for the early redemption of the Notes at the option of the holders thereof upon the occurrence of a Change of Control as further described in Condition 6(f).
Tax Redemption:	Notes will be redeemable at the Issuer's option prior to maturity for tax reasons as described in "*Terms and Conditions of the Notes – Redemption, Purchase and Options*".
Non-Registration Event Redemption:	The terms of the Notes will contain a provision for the early redemption of the Notes at the option of the holders thereof upon the occurrence of a Non-Registration Event as further described in Condition 6(g).
Status of Notes and Guarantee:	The Notes and the Receipts and the Coupons relating to them constitute (subject to Condition 4) direct, general, unsubordinated, unconditional and unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Issuer under the Notes and the Receipts and the Coupons relating to them and of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4, at all times rank at least *pari passu* with all other unsecured and unsubordinated indebtedness and monetary obligations of the Issuer and the Guarantor respectively, present and future. The Guarantor will, in respect of each Tranche of Notes pursuant to the relevant Deed of Guarantee, unconditionally and irrevocably guaranteed the due and punctual payment of all sums expressed to be payable by the Issuer under the Trust Deed, the Notes, and (if applicable) the Receipts and the Coupons (the "**Guarantee**"). The Guarantee constitutes direct, general, unsubordinated, unconditional and (subject to Condition 4) unsecured obligations of the Guarantor.
Undertaking relating to the Guarantee:	See Condition 4(e) of the Conditions.

Negative Pledge:	The terms of the Notes will contain a negative pledge provision as described in Condition 4(a).
Cross-acceleration:	The terms of the Notes will contain a cross-acceleration provision as described in Condition 10(c).
Withholding Tax:	All payments of principal and interest by or behalf of the Issuer or the Guarantor in respect of the Notes, the Receipts and the Coupons shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Hong Kong, the PRC or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer or (as the case may be) the Guarantor will (subject to certain customary exceptions as provided in Condition 8) increase the amounts paid by it to the extent required, so that the net amount received by the Noteholders and Couponholders equals the amounts which would otherwise have been receivable by them had no such withholding or deduction been required.
Governing Law:	The Notes, the Trust Deed and any non-contractual obligations arising out of or in connection with the Notes or the Trust Deed will be governed by, and construed in accordance with, English law.
Listing:	Application has been made to the HKSE for the listing of the Programme for 12 months after the date of this Offering Circular under which Notes may be issued to Professional Investors only. The Notes issued under the Programme may be listed on the HKSE or such other or further stock exchange(s) as may be agreed between the Issuer, the Guarantor and the relevant Dealer(s) in relation to each Series. Unlisted Notes may also be issued. The applicable Pricing Supplement will state whether or not the relevant Notes are to be listed and, if so, on which stock exchange(s). Notes listed on the HKSE will be traded on the HKSE in a board lot size of at least HK$500,000 (or its equivalent in other currencies).
Selling Restrictions:	There are restrictions on the offer, sale and transfer of the Notes in the United States, the EEA, the United Kingdom, Hong Kong, the PRC, Singapore, Japan and Portugal and to

	persons connected therewith and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes, please see "*Subscription and Sale*".
United States Selling Restrictions:	Regulation S, Category 1 or 2 as specified in the applicable Pricing Supplement. TEFRA C, TEFRA D or TEFRA not applicable, as specified in the applicable Pricing Supplement.
Legal Entity Identifier:	The legal entity identifier of the Issuer is 254900JMVZPIW810F274.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP

The summary consolidated financial information of the Group as at, and for, the years ended 31 December 2019, 2020 and 2021 set forth below is derived from the Guarantor's audited consolidated financial statements as at, and for, the years ended 31 December 2020 and 2021. Such financial information should be read in conjunction with the audited consolidated financial statements and the notes thereto, together with the auditor's reports in respect of such financial years, which are included elsewhere in this Offering Circular.

The audited consolidated financial statements of the Group as at, and for, the years ended 31 December 2019, 2020 and 2021 were prepared and presented in accordance with the International Financial Reporting Standards and have been audited by Deloitte Touche Tohmatsu.

CONSOLIDATED INCOME STATEMENTS

	For the year ended 31 December		
Item	**2021**	**2020**	**2019**
	RMB'000 (audited)	**RMB'000 (audited)**	**RMB'000 (audited)**
Revenue			
Finance lease income	3,336,405	3,932,864	4,552,042
Interest income from sale and leaseback arrangements	2,730,138	2,017,118	716,325
Operating lease income	451,145	464,433	433,634
Service fee income	1,281,697	1,148,831	1,065,371
Factoring interest income	355,592	312,109	306,216
Entrusted loan and other loan interest income	22,628	39,671	71,347
Total Revenue	8,177,605	7,915,026	7,144,935
Add: Net investment gains	34,226	34,484	3,755
Share of result of a joint venture	–	(40,339)	8,419
Other income, gains or losses	818,877	644,420	291,872
Loss from derecognition of financial assets measured at amortised cost	(77,524)	(8,529)	–
Total Revenue and other income, gains or losses	8,953,184	8,545,062	7,448,981
Less: Depreciation and amortization	(422,813)	(359,048)	(257,043)
Staff costs	(738,560)	(585,468)	(546,404)
Interest expenses	(3,527,798)	(3,676,099)	(3,331,259)
Other operating expenses	(534,109)	(508,158)	(193,161)
Listing expenses	–	–	(31,451)
Impairment losses under expected credit loss model	(1,713,016)	(1,917,515)	(1,272,352)
Other Impairment losses	(85,315)	(10,567)	(16,186)
Total Expenses	(7,021,611)	(7,056,855)	(5,647,856)
Profit before income tax	1,931,573	1,488,207	1,801,125
Less: Income tax expenses	(518,713)	(372,223)	(446,213)

Item	For the year ended 31 December		
	2021	**2020**	**2019**
	RMB'000 (audited)	**RMB'000 (audited)**	**RMB'000 (audited)**
Profit for the year	1,412,860	1,115,984	1,354,912
attributable to:			
Owners of the Company			
– Ordinary shareholders	1,321,231	1,065,289	1,266,487
– Other equity instrument holders	90,934	50,221	50,148
Non-controlling interests	695	474	38,277
Earnings per share attributable to ordinary shareholders of the Company (Expressed in RMB Yuan per share)			
– Basic	0.16	0.13	0.16
– Diluted	N/A	N/A	0.16
Other comprehensive income/(expense)			
Including: Items that may be reclassified subsequently to profit or loss			
– Exchange differences arising on translation	(21,127)	(72,867)	27,892
– Fair value gains/(loss) on hedging instrument designated as cash flow hedges	94,909	(74,695)	2,502
Other comprehensive income/(expense) for the year, net of income tax	73,782	(147,562)	30,394
Total comprehensive income for the year	**1,486,642**	**968,422**	**1,385,306**
Total comprehensive income attributable to:			
Owners of the Company:			
– Ordinary shareholders	1,395,013	917,727	1,296,881
– Other equity instrument holders	90,934	50,221	50,148
Non-controlling interests	695	474	38,277

CONSOLIDATED BALANCE SHEETS

	As at 31 December		
	2021	2020	2019
	RMB'000 (audited)	RMB'000 (audited)	RMB'000 (audited)
Assets			
Current Assets			
Finance lease receivables	22,202,398	27,660,127	28,155,387
Receivables arising from sale and leaseback arrangements	23,566,177	15,082,174	8,795,032
Loans and receivables	5,806,749	6,380,913	5,345,915
Other assets	1,497,288	952,265	921,422
Accounts receivable	48,715	36,913	16,682
Cash and bank balances	6,738,571	5,176,968	5,458,838
Financial assets at fair value through profit or loss	1,996,289	572,915	1,252,063
Derivative financial assets	11,079	–	49,619
Financial assets held under resale agreements	–	–	1,154,514
Total Current Assets	**61,867,266**	**55,862,275**	**51,149,472**
Non-Current Assets			
Right-of-use assets	120,262	165,036	185,720
Finance lease receivables	11,270,189	20,751,276	24,786,256
Receivables arising from sale and leaseback arrangements	31,521,846	20,132,302	13,148,660
Interest in a joint venture	–	–	710,889
Loans and receivables	575,177	1,249,177	2,738,737
Financial assets at fair value through profit or loss	128,099	326,285	35,921
Property and equipment	5,463,211	7,154,205	4,730,048
Intangible assets	15,205	15,386	15,774
Deferred tax assets	1,578,035	1,540,986	1,006,941
Other assets	2,202,020	944,543	538,857
Total Non-Current Assets	52,874,044	52,279,196	47,897,803
TOTAL ASSETS	**114,741,310**	**108,141,471**	**99,047,275**
Liabilities			
Current Liabilities			
Borrowings	25,584,189	22,205,176	19,660,876
Accounts payable	34,552	30,118	279,399
Bonds payable	22,989,474	18,408,850	20,114,151
Income tax payable	743,751	663,899	494,850
Other liabilities	7,692,962	6,477,034	5,359,619
Derivative financial liabilities	231,247	359,910	98,805
Accrued staff costs	286,166	217,571	175,986
Total Current Liabilities	57,562,341	48,362,558	46,183,686

	As at 31 December		
	2021	2020	2019
	RMB'000 (audited)	RMB'000 (audited)	RMB'000 (audited)
Liabilities			
Non-Current Liabilities			
Borrowings	18,145,228	21,796,398	18,096,373
Other liabilities	6,532,445	8,159,302	8,133,830
Bonds payable	14,865,356	13,951,119	11,332,791
Deferred tax liabilities	16,297	18,295	10,808
Total Non-Current Liabilities	39,559,326	43,925,114	37,573,802
TOTAL LIABILITIES	**97,121,667**	**92,287,672**	**83,757,488**
Equity			
Share capital	8,235,300	8,235,300	8,235,300
Reserves			
– Capital reserve	2,492,962	2,497,465	2,497,465
– Surplus reserve	585,260	409,181	314,999
– Hedging reserve	22,716	(72,193)	2,502
– Translation reserve	(75,719)	(54,592)	18,275
Retained profits	3,890,937	3,263,152	2,967,374
Other equity instrument holders	2,384,512	1,523,756	1,237,212
Equity attributable to owners of the Company			
– Ordinary shareholders	15,151,456	14,278,313	14,035,915
– Other equity instrument holders	2,384,512	1,523,756	1,237,212
Non-controlling interests	83,675	51,730	16,660
TOTAL EQUITY	17,619,643	15,853,799	15,289,787
TOTAL LIABILITIES AND EQUITY	114,741,310	108,141,471	99,047,275
TOTAL EQUITY AND NON-CURRENT LIABILITIES	**57,178,969**	**59,778,913**	**52,863,589**

According to the regulations regarding the engagement and management of intermediary institutions stipulated by of regulatory authorities such as the Ministry of Finance of the People's Republic of China, the continuous engagement of the same accounting firm by the Guarantor shall be subject to a limited tenure. After the completion of the audit work and preparation of the Guarantor's audited consolidated financial statements for the year of 2021, the continuous engagement of Deloitte Touche Tohmatsu ("**Deloitte**") has reached the stipulated tenure. As a result, Deloitte will retire as the auditor of the Guarantor, effective from the conclusion of the 2021 annual general meeting of the Guarantor.

The Board of Directors of the Guarantor has resolved to propose the appointment of PricewaterhouseCoopers ("**PwC**") as auditors of the Guarantor for the year of 2022 to provide overseas audit and review services for the financial statements prepared in accordance with International Financial Reporting Standards from the conclusion of the 2021 annual general meeting of the Guarantor to the conclusion of the next annual general meeting of the Guarantor. The above proposed change of auditors is subject to the approval of the shareholders of the Guarantor at the 2021 annual general meeting of the Guarantor.

RISK FACTORS

Prior to making any investment decision, prospective investors should consider carefully all of the information in this Offering Circular, including the risks and uncertainties described below. The business, financial condition or results of operations of the Group could be materially adversely affected by any of these risks. The Issuer and the Guarantor believe that the following factors may affect their ability to fulfil their obligations under the Notes issued under the Programme and the Guarantee. All of these factors are contingencies which may or may not occur and the Issuer and the Guarantor are not in a position to express a view on the likelihood of any such contingency occurring. Factors which the Issuer and the Guarantor believe may be material for the purpose of assessing the market risks associated with the Notes issued under the Programme and the Guarantee are also described below.

The Issuer and the Guarantor believe that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the inability of the Issuer or the Guarantor to pay principal, interest (if any) or other amounts or fulfil other obligations on or in connection with any Notes or the Guarantee may occur for other reasons and the Issuer and the Guarantor do not represent that the statements below regarding the risks of holding the Notes are exhaustive. Additional risks and uncertainties of which the Group is not aware or that the Group currently believes are immaterial may also adversely affect the business, financial condition and results of operations of the Group.

Risks Relating to the Group's Business

The Group's inability to maintain its asset quality may have a material adverse impact on the Group's business, financial condition and results of operations

Sustainable business growth of the Group depends significantly on its ability to effectively manage and maintain asset quality of the Group. As at 31 December 2019, 2020 and 2021, the Guarantor's NPA ratio was 1.08 per cent., 1.10 per cent. and 1.07 per cent. respectively.

The Group's asset quality may deteriorate due to various factors, some of which are beyond control of the Group. These factors include a slowdown in the PRC or global economic growth, the occurrence of a global credit crisis, or other adverse market trends. In respect of financial leasing business, any significant changes in the Group's lessees' industries may adversely affect their operations, financial condition and cash flows, which may affect their ability to perform their payment obligations in a timely manner and may lead to default of the lessees. Other factors that may affect the Group's lessees' financial condition and cash flows, such as an increase in operating costs, labour shortage, fluctuations in interest rates and an increase in financing cost.

The Group continually improves its business model and risk management measures and takes initiatives to mitigate risks to maintain and reduce the levels of its NPAs. The Group takes various measures, including initiating lawsuits, to recover its credit assets at risk. For example, the Group had filed lawsuits against certain of its financial leasing customers and factoring customers to claim overdue outstanding lease payments or payments receivable. These overdue finance lease receivables have affected asset quality and the Group may have to make more provisions for them based on the loss that could incur, which may in turn adversely affect its financial condition and results of operations. However, the above measures may not be as effective as the Group anticipates. If the Group is unable to maintain its asset quality, its business, financial condition and results of operations may be materially and adversely affected.

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

During the recent years, the Group provided financial leasing services to local governments and SOEs as financing platforms for government-led projects to finance their construction and operation of public services and infrastructure projects.

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

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

The Group is exposed to risks in relation to MSE & Retail customers

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

The Group is exposed to risks relating to its factoring business

The Group began to provide factoring services in November 2014. Under a factoring contract, the seller (customer) sells its accounts receivable to the buyer (the party that has an obligation to pay an amount to the seller) in return for financing. The Group is exposed to risks relating to the factoring business. For example, if there is no genuine creditor-debtor relationship between the buyer and seller, or if that the relationship is illegal, its factoring contract entered into with the seller may be deemed invalid. In addition, if the accounts receivable assigned to it are transferred to a third party, pledged or entrusted or are otherwise subject to other encumbrances, the Group may be unable to exercise its creditor's rights in full and may be forced to make impairment provision or to write off the accounts receivable accordingly. If the Group encounters difficulties in exercising its creditor's rights in relation to the accounts receivable, the Group may need to negotiate with relevant stakeholders, or initiate litigation or other legal proceedings, which may result in additional costs. Any of the above circumstances may adversely affect the Group's business, results of operations and financial condition.

The Group may be exposed to additional risks as it expands into new business, industry and region

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

- the value and lease rates of its aircraft under operating leases could decline;

- aircraft have finite useful economic lives, depreciate over time and incur higher operating costs as they age;

- lessees with leased aircraft are subject to environmental laws and regulations. Compliance with these laws and regulations could increase the expenses of aircraft lessees of the Group, which could adversely affect their ability to fulfil their payment and other leasing obligations;

- the aviation industry has experienced periods of aircraft oversupply, during which the value and lease rates of aircraft have declined, and any future oversupply could materially and adversely affect its business; and

- its lessees may not properly maintain the leased aircraft and sufficiently insure the leased aircraft.

In addition, as an important initiative for expansion of overseas business, the Guarantor established Haitong UT Leasing HK Limited in April 2017. The Group may be exposed to risks in the course of its overseas expansion, including but not limited to the following:

- failure to obtain sufficient financing to support its overseas expansion;

- instability of local political situation and the rise of social unrest or terrorism;

- uncertainty and downturn of the local economy;
- failure to meet the laws and regulations, approval or licensing requirements, and industry or technology standards of the overseas markets;
- challenges in managing and supporting overseas business;
- differences in culture, commercial and operating environments and corporate governance; and
- failure to recruit and retain competent talents.

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

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

The Group strives to effectively match the maturity profile of its assets and liabilities to manage liquidity risk. For the years ended 31 December 2019, 2020 and 2021, the Group did not experience any liquidity difficulties due to any maturity mismatch between assets and liabilities. However, there can be no assurance that the Group will not experience any such liquidity difficulty due to maturity mismatch in the future. Failure to effectively match the maturity profile of its assets and liabilities may lead to a liquidity shortage, or its inability to repay its matured debts or obtain additional financing. If any of the above occurs, the Group's business, financial condition and results of operations may be materially and adversely affected.

The Group may not be able to maintain sufficient liquidity to meet its business needs

The business of the Group is capital intensive which requires a huge amount of working capital and stable financing channels to support the Group's day-to-day business operation. In addition to the cash generated from its business operations, during the recent years, the Group's major funding sources include borrowings and issuance of debt securities. As at 31 December 2021, the total balance of borrowings and bonds payable of the Group was RMB43,729.4 million and RMB37,854.8 million, respectively. If the Group fails to maintain its existing and future funding arrangements on commercially acceptable terms, or to obtain new financing sources when the existing sources are inadequate, the Group may not be able to continue obtaining sufficient funding for its operation and development, which may adversely affect its business and results of operations.

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

In addition, unfavourable changes in the Group's credit rating or failure to obtain satisfactory credit ratings could increase the financing cost of the Group, which may adversely affect the

Group's financing capabilities. In 2021, the Group maintained its credit rating of AAA, which is given by Shanghai Brilliance Credit Rating & Investors Service Co., Ltd., for the fifth consecutive year. However, there can be no assurance that these ratings will not be downgraded or withdrawn by the rating agency, or that the Group will be assigned with satisfactory credit ratings by overseas rating agencies. If the rating of the Group is downgraded or withdrawn, or if the Group is unable to obtain satisfactory ratings, its financing cost may increase, which will affect its financing capabilities and in turn adversely affect its business and results of operations.

The Group may not be able to service its debt

The Group's financing agreements with debt lenders contain a number of covenants, undertakings, restrictions and default provisions. Examples of major covenants, undertakings and restrictions that may trigger default provisions include:

- change of control over the Guarantor; and

- violation of a series of financial and general undertakings, including but not limited to (i) disposal of all or substantial part of the business, assets or revenue of the Guarantor and (ii) participation in any arrangement in respect to merger, demerger, consolidation and reorganisation except (a) for any consolidation undergone by the Guarantor and UniCircle with the Guarantor being the surviving entity **provided that** the Guarantor and UniCircle are solvent at the time of consolidation; or (b) that such participation will not cause a material and adverse affect on the Guarantor with the Guarantor being the surviving entities **provided that** the Guarantor is solvent at the time of such merger, demerger, consolidation or reorganisation.

While none of the Group's lenders have claimed default against the Group under the above provisions as at the date of this Offering Circular and the Group has not breached any of the provisions in such a way that could result in any event of default in any of the years ended 31 December 2019, 2020 and 2021, there is no guarantee that it will continue to comply with such provisions. If the Group fails to comply with any of these provisions, or is unable to generate sufficient cash flows from its business operations, from the disposal of the assets underlying its leases, or from other business activities, or if it is unable to obtain further financing on favourable terms or at all to meet or repay its debts when due, the lenders may be entitled to accelerate the maturity of loans or foreclose on collateral supporting such loans, which would consequently materially and adversely affect the Group's business, financial condition and its ability to obtain future financing.

The Group historically recorded negative cash flows from operating activities and cannot provide any assurance that this will not occur in the future

For the years ended 31 December 2019, 2020 and 2021, the Group's net cash outflows from operating activities were RMB9,366.2 million, RMB3,401.9 million and RMB3,751.3 million respectively. The net cash outflow was mainly attributable to the sustained increases in interest-earning assets (primarily consisting of finance lease receivables, factoring receivables, entrusted loans and other loans) as a result of the Group's continued business growth. The Group cannot provide any assurance that it will not record negative cash flow from its operating activities in the future, which may limit its working capital and in turn, the Group's business, financial condition, results of operations and prospects may be materially and adversely affected.

The value of collateral and guarantees and assets underlying leases of the Group which are disposed of upon repossession may not be sufficient or fully realisable

In addition to the Group's ownership in the assets underlying the leases, the Group requires certain lessees to provide guarantees or collateral to secure its accounts receivable. For secured accounts receivable, in case of any material default, the Group is entitled to enforce claims in respect of any collateral or guarantee pursuant to the contract, and/or repossess and dispose of the assets underlying the lease to realise their value.

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

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

Furthermore, the procedures for liquidating or otherwise realising the value of collateral in the form of non-monetary assets may be protracted, and it may be difficult to enforce claims in respect of such collateral. Under relevant laws and regulations, the Group's rights to the collateral securing loans may be subordinated to certain third-party rights under certain circumstances, and thus preventing the Group from recovering all or part of the principal of and interest on the secured loans. If the Group fails to realise the value of collateral, guarantees and assets underlying the leases to be repossessed and disposed of in a timely manner, its asset quality, financial condition or results of operations may be materially and adversely affected.

Allowance of the Group for impairment losses may not be adequate to cover future credit losses

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

The Group's asset quality classification and asset impairment loss provision policies may be different in certain aspects from those applicable to other financial institutions

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

There is no guarantee that the Group can continue to maintain rapid growth in the future

The Group's total revenue grew rapidly in the recent years. For the years ended 31 December 2019, 2020 and 2021, its total revenue was RMB7,144.9 million, RMB7,915.0 million and RMB8,177.6 million, respectively. The Group may not be able to continue to grow if it is not able to expand its product and service offerings to attract new customers, improve its marketing strategies, or broaden its distribution channels. The Group's ability to maintain business growth is highly dependent on various factors beyond control of the Group, including the economic growth, interest rate, development of financial leasing and financial industries, as well as changes in laws, regulations and rules applicable to the leasing industry in China. Any unfavourable change in the above one or more factors may prevent it from maintaining its growth rate.

The Group plans to continue to invest substantial financial, management and operational resources to sustain its growth. However, the Group cannot provide any assurance that it will be able to continually obtain these resources in the future. For instance, the Group may not be able to obtain additional internal and external capital on commercially acceptable terms to support its business growth, or to retain and attract sufficient number of competent staff to support its business development.

Any changes in relevant laws, regulations and regulatory requirements could adversely affect the Group's business operation and prospects

As the PRC financial leasing industry continues to develop, the regulatory framework also evolves. During the recent years, the Group was mainly under the MOFCOM's regulation and supervision. According to the Notice on Matters Related to the Adjustment of the Regulatory Regime of Financial Lease Companies, Commercial Factoring Companies, and Pawnshops (《關於融資租賃公司、商業保理公司和典當行管理職責調整有關事宜的通知》), the regulatory authority over foreign-funded financial leasing companies was transferred from the MOFCOM to the CBIRC (a governmental authority formed by a merger of CBRC and China Insurance Regulatory Commission in March 2018) with effect from 20 April 2018. As at the date of this Offering Circular, the CBIRC has enforced Interim Measures for Supervision and Administration of Financial Leasing Companies (《融資租賃公司監督管理暫行辦法》) with effect from 26 May 2020. The CBIRC may enforce stricter regulatory requirements on financial leasing companies, and applicable laws, regulations (including judicial interpretations) and regulatory requirements may change from time to time. As such the Group may be required to adjust its business accordingly, assume additional responsibility and incur additional costs in order to comply with the applicable laws, regulations and regulatory requirements. The Group's inability to meet any such stricter regulatory requirements or adapt to the aforesaid changes may cause it to suffer economic loss and/or face administrative penalty, and may have an adverse impact on its business operation and prospects.

Haitong Securities, the controlling shareholder of the Guarantor, is a securities firm in the PRC and is primarily regulated by the CSRC. The Group is the sole leasing platform of Haitong Securities. Accordingly, the Group's business operation is, to a certain extent, affected by the regulation of the CSRC, although it is not directly regulated by the CSRC. If the CSRC imposes restrictions or implements stricter regulatory standards regarding business scope and risk control indicators on PRC securities companies, the Group's business, results of operations and financial condition may be affected.

The Group may not be able to attract and retain senior management and qualified employees

The Group's success is largely dependent on the continued efforts of its senior management and qualified employees.

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

Continued success of the Group also depends on its ability to attract and retain qualified staff. The Group may need to offer more competitive compensation and other benefits to attract and retain key personnel, and its compensation and benefit payments may thus increase unpredictably or at a greater rate than its revenue. This may also adversely affect the Group's financial condition and results of operations.

The Group cannot guarantee that its cost control strategies and measures will be continually and effectively executed in the future and achieve their expected effects

The Group has continually sought to improve the allocation of financial resources through various cost control measures. However, the Group cannot guarantee that such measures will continue to be effectively executed in the future. In addition, the Group may be required to adjust the relevant cost control strategies and measures in response to the changes in economic condition and business development needs. If such control strategies and measures fail to achieve their expected effects, the Group's operating costs may increase, which in turn may adversely affect its financial condition and results of operations.

The Group's current risk management and internal control system may not be sufficient to protect it against various risks

The Group's business operation is exposed to various risks, primarily including credit risk, market risk, liquidity risk, operational risk and legal and compliance risk. To manage such risks, the Group has established, and will continue to improve, its risk management and internal control system. However, the Group cannot provide any assurance that such risk management and internal control system will be effective in identifying, monitoring and mitigating all types of risks.

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

The Group's business operations depend on the proper functioning and continual improvement of its IT system

The Group's business operation is dependent on the ability of its IT systems to process large numbers of transactions and information in an accurate and efficient manner. Such IT systems cover all aspects of business operation of the Group including financial control, risk management, accounting and customer services. The proper functioning of such system is critical for it to maintain its business operation and enhance its competitiveness. The Group has established its internal back-up system to carry on the principal functions in the event of system failures. However, business operation of the Group may be disrupted if any of its IT systems partially or completely fail due to, among other things, fire, natural disasters, power loss, software faults, conversion errors due to system upgrades, or security breaches, which will adversely affect the Group's results of operations and reputation. Besides, a portion of the development and maintenance of IT systems of the Group are outsourced to third parties. In light of the risks inherent in outsourcing, such as unilateral termination of contract or leakage of confidential information and commercial secrets by the third party, the Group cannot guarantee that these third parties will be able to provide it with stable and quality IT services on an ongoing basis. Also, the Group cannot guarantee that the Group will be able to renew the outsourcing arrangement on equivalent or more favourable terms, or that the Group can enter into alternative outsourcing arrangement on commercially reasonable terms, upon the expiry of the existing outsourcing arrangement.

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

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

The Group may not be able to detect or prevent breach of law or other misconduct committed by its employees or third parties

Breach of law or other misconduct by the Group's employees (such as unauthorised business transactions and breach of its internal policies and procedures) or third parties may be difficult to detect or prevent. The Group monitors its business and overall compliance through its risk management and internal control rules and procedures. However, the Group may not be able to identify such breach of law or misconduct in a timely manner, or at all. The Group may also suffer from economic loss, reputational damage and administrative penalty for breach of law or other misconduct committed by its employees or third parties that have previously occurred but was undetected, or may occur in the future. This in turn may result in adverse effects on the business of the Group. For details of certain historical non-compliance, see "*Description of the Group – Laws and Regulations – Regulatory Non-compliance Incidents*".

The Group may not be able to fully prevent or detect money laundering or other illegal or improper activities in its business operations on a timely basis

The Group has strictly complied with applicable anti-money laundering laws and other relevant regulations. The Group has continued to optimise its anti-money laundering work mechanism, actively fulfilled applicable anti-money laundering regulatory requirements and comprehensively improved the management standard of its anti-money laundering compliance. The Group is not aware of any money laundering or other major illegal or improper activities engaged by or involving any employee, customers and other parties the Group has a business relationship with in its domestic or overseas operations.

However, in light of the complexity of money-laundering activities and other illegal or improper activities, the policies and procedures adopted by the Group may not completely eliminate the possibility of it being utilised by other parties to engage in money laundering and other illegal or improper activities. If the Group fails to timely detect and prevent money laundering activities or other illegal or improper activities, relevant regulatory agencies will have the power and authority to impose sanctions on it, which may materially and adversely affect its reputation, business, financial condition and results of operations.

The Group may not have adequate insurance coverage to cover potential liabilities or losses

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

The Group may be subject to risk relating financial instruments held by the Group

The Group invests in financial instruments such as wealth management products, income certificates and money market funds. Gains generated from these activities are subject to volatilities caused by, among other things, changes in the interest rate. To hedge the exchange rate risk arising from funding and the hedge risks associated with fluctuations in US dollar interest rate,, the Group entered into foreign currency forward and interest rate swap agreements with various counterparties in the foreign exchange and derivative markets. While the Group believes that the overall creditworthiness of the counterparties is satisfactory, the counterparties may not be able to timely and fully pay the amounts under relevant contracts when due.

The amount of the Group's deferred tax assets is subject to the uncertainties of accounting estimates

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

Based on the Group's accounting policies, deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Where the actual or expected tax position of the relevant companies of the Group in future are different from the original estimates, such differences will impact on the recognition of deferred tax assets and liabilities and income tax charge in the period in which such estimate has been changed.

Failure to obtain, renew, or retain licences, permits or approvals necessary for the Group's business or failure to comply with applicable laws and regulations may adversely affect the business of the Group

The Group is required to hold various licences, permits and approvals issued by relevant regulatory authorities necessary for its businesses. Failure to obtain, renew or retain such licences, permits or approvals may affect the ability of the Group to conduct its business. If the Group fails to comply with applicable laws and regulations, the relevant regulatory authorities may revoke its licences, permits or approvals, request it to take remedial actions, and/or impose fines or other regulatory measures on it, any of which may have an adverse effect on its business and results of operations. In addition, the licensing requirements of the financial leasing industry in the PRC are evolving, and the Group may be subject to more stringent regulatory requirements in the future. The Group cannot provide any assurance that it will be able to comply with these requirements; if the Group fails to do so, its business may be disrupted and its results of operations and financial condition may be materially and adversely affected.

The Group may face legal proceedings and arbitration, and the Group may not successfully defend such lawsuit

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

Any future occurrence of force majeure events, natural disasters or outbreaks of contagious diseases may materially and adversely affect the Group's business, financial condition and results of operations

A recurrence of Ebola virus disease, Severe Acute Respiratory Syndrome, or other epidemic diseases such as H5N1 bird flu, H1N1 swine flu, Type A H1N1 influenza, Middle East Respiratory Syndrome or COVID-19, especially in the areas where the Group or its lessees operate, may result in widespread health crises and restrict business activities in the affected areas, which may in turn cause material disruptions to the Group's and its lessees' businesses. Natural disasters such as earthquakes, floods, volcano eruptions, severe weather conditions, or other catastrophic events, may also result in serious economic depression in the affected areas or in China which may severely affect the regions where the Group or the Group's lessees operate. Business prospects, financial condition and results of operations of the Group may also be materially and adversely affected.

Starting from December 2019, the novel coronavirus COVID-19 pandemic has adversely affected global financial, foreign exchange, commodity and energy markets. The pandemic has since spread globally and there have been increased initial infection and fatality rates across the world. On 11 March 2020, the World Health Organisation declared the COVID-19 outbreak a pandemic. The COVID-19 pandemic and policies implemented by governments to deter the spread of the disease have had and may continue to have an adverse effect on consumer confidence and the general economic conditions which the Group's business is subject to. Governments of many countries (including the PRC) have declared a state of emergency, closed their borders to international travellers and issued stay-at-home orders with a view to containing the pandemic. Countries around the world are continuing to report locally transmitted cases of new COVID-19 variants such as Delta and Omicron strains. There is no assurance that the outbreak will be over in the near future, particularly with the emergence of evolving variants, and no predictions can be made as to whether the COVID-19 pandemic will have a long-term impact on the Group's business. The resultant disruptions to the supply chain and reduced levels of consumption, commercial activities and industrial production in the affected countries may result in an economic slowdown in such economies which, if prolonged, could cause a global recession. There can be no assurance that this epidemic will not intensify, or that other similar outbreaks or epidemic will not occur in China or other regions of the world. Any such event could have a material adverse effect on the Group's business, financial condition and results of operations.

Similarly, acts of terrorism, wars, threats of war, social unrest and the corresponding heightened travel security measures instituted in response to such events, as well as geopolitical uncertainty and international conflict and tension, could affect economic development and construction projects. For example, recent conflicts between Russian and Ukraine and potential escalation of hostilities between the two countries may further complicate the geopolitical landscape and affect global economy. In turn, there could be a material adverse effect on business, financial condition and results of operations of the Group. In addition, the Group may not be adequately prepared in terms of contingency planning or have recovery capabilities in place to deal with a major incident or crisis. As a result, operational continuity of the Group may be materially and adversely affected and the Group's reputation may be seriously harmed.

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

Risks Relating to the Industries the Group Operates In

Macro economy, market conditions and government policies in China could adversely affect the business of the Group

The Group's business, financial condition and results of operations are largely affected by the macroeconomic and market conditions in China. The Group provides its customers with financial leasing, operating leasing, factoring, entrusted loans and other loans, as well as advisory services and relies on domestic demand for these services to achieve revenue growth. The macroeconomic downturn and adverse market conditions, such as fluctuations in exchange rates, inflation or deflation and decrease in available financing, could materially and adversely affect the Group's business, results of operations and financial condition in various aspects.

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

Businesses of the Group involve various industries and volatility in these industries may materially and adversely affect businesses of the Group

The Group offers its products and services to customers in a wide range of industries, including transportation & logistics, industrials, infrastructure, construction & real estate, healthcare, chemical industry and education. The Group's businesses could be affected by the cyclical fluctuations of such industries. The nature, timing and extent of changes in industry-wide conditions are largely unpredictable. In the event of an industry downturn or unfavourable economic and market conditions, the Group may experience a decline in the demand for its businesses from customers of related industries and an increase in its customers' defaults, as well as the deterioration in quality of its assets, which may, in turn, materially and adversely affect its financial condition and results of operations. In recent years, due to the slowdown in economic growth and industrial transformation and upgrade in China, industries such as paper, printing and textile encounter the problems of over-capacity. As a result, some of customers of the Group in these industries may experience operational difficulties, which in turn may increase the Group's NPAs from these industries. In addition, in respect of the transportation & logistics industry, unfavourable economic and market conditions may result in decreases of passenger volume and freight volume, which in turn may materially and adversely affect the business of transportation & logistics customers and lessees of commercial vehicles and their ability to perform their payment obligation.

The Group operates in an increasingly competitive market

The PRC financial leasing industry has developed rapidly and become increasingly competitive. As at 31 December 2021, there were 11,917 financial leasing companies in the PRC, excluding single project companies, branches, subsidiaries and companies acquired overseas (including certain enterprises listed as inaccessible or having abnormal operation). Although the PRC financial leasing industry still has great growth potential, there can be no assurance that the Group will be in an advantageous position in light of the intensifying competition.

The Group competes primarily with financial leasing companies in the PRC. Financial leasing companies approved by CBRC generally have stronger shareholder backgrounds and greater capital strength and are the main market players in the PRC financial leasing industry. In addition, some financial leasing companies may have greater management, technology and financial resources, larger sales network, stronger customer relations, lower financing cost or higher risk tolerance as compared to the Group, and they may be able to offer more favourable financing terms to customers than the Group does. If the Group is not able to effectively compete with these financial leasing companies, its market share may decrease and its business, financial condition and results of operations may be adversely affected.

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

Changes in market interest rates may have a significant impact on the Group's financial condition

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

The majority of interest-earning assets of the Group (consisting of finance lease receivables, factoring receivables, entrusted loans and other loans) and interest-bearing liabilities are denominated in RMB, therefore the Group is primarily affected by the fluctuations in the RMB interest rate. Historically, the PBOC has adjusted its benchmark interest rate many times. Adjustments to the benchmark interest rate could affect the average yield of the Group's interest-earning assets and the average cost of interest– bearing liabilities to different extents. Any such adjustments or changes in market interest rates may cause the Group's interest expenses to increase at a faster rate than interest income, and thus reducing the Group's net interest spread and net interest margin, which, in turn, could adversely affect financial condition and results of operations of the Group. During the recent years, the Group hedged part of its interest rate risk through interest rate swaps. However, there is no assurance that these interest rate swaps or other hedging measures the Group uses for mitigating the interest rate risk will always be effective.

Fluctuations in the prices of leased equipment may adversely affect the Group's financial leasing business

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

Risks relating to the PRC

Economic, political and social conditions in the PRC and government policies could affect business and prospects of the Group

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

In addition, the Group's financial condition, results of operations and prospects are, to a material extent, subject to political and social conditions and government policy developments in the PRC. The PRC economy differs from the economies of developed countries in many respects, including, among others, the degree of government involvement, control of investment, level of economic development, growth rate, foreign exchange controls and resource allocation. Although the PRC economy has been transitioning from a planned economy to a more market-oriented economy for more than three decades, a substantial portion of productive assets in the PRC is still owned by the PRC government and SOEs. The PRC government also exercises significant control over the economic growth of the PRC through allocating resources, controlling payments of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. In recent years, the PRC government has implemented measures emphasising the utilisation of market forces in economic reform, the reduction of state ownership of productive assets and the wider opening to the outside world. In 2018 Bo'ao Forum for Asia, Mr. Gang Yi, governor of the PBOC declared detailed measures to further opening monetary industry to the outside world. Mr. Yi pointed out PRC would encourage and attract foreign investment in the banking industry such as trust, financial leasing, automobile finance, currency agency and consumption monetary. In 11 April 2018, Shanghai Stock Exchange released Notice on Adjusting the Daily Quota of Shanghai-Hong Kong Stock（《關於調整滬港通每日額度的通知》，上證函(2018)385號）, adjusted substantially the daily quota. In 17 August,2018, CBIRC has enforced Decision of the China Banking and Insurance Regulatory Commission on Repealing and Amending Some Rules （《中國銀保監會關於廢止和修改部分規章的決定》） and remove restrictions on the proportion of foreign shares held by banks and financial asset management companies, and treat both domestic and foreign investors equally. In September 2019, the Financial Stability Development Committee of the State Council held 8th meeting and proposed to further expand the high-level two-way opening of the financial industry, encourage foreign financial institutions and funds to enter the domestic financial market, and enhance the vitality and competitiveness of China's financial system. Some of these measures benefit the overall PRC economy, but may adversely affect the Group.

The PRC legal system has potential uncertainties that could materially and adversely affect the Group

PRC laws and regulations govern operations of the Group in the PRC. The Group and some of operating subsidiaries are organised under PRC laws. The PRC legal system is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value unless the Supreme People's Court of the PRC otherwise provides. Furthermore, PRC legal provisions are generally interpreted by courts and law enforcement agencies before being applied and enforced. The PRC government has continually sought to develop and improve legal regimes and made significant progress in the development of laws and regulations regulating commerce and business affairs, such as foreign investment, corporate organisation and governance, trading of commerce, financial leasing and taxation and trade. For example, on 31 August 2015, General Office of the State Council promulgated Guideline of General Office of the State Council on Acceleration of Financial Leasing Industry Development （國務院辦公廳關於加快融資租賃業發展的指導意見） (the "**SOSC Guideline**"). According to the SOSC Guideline, the government will simplify qualification management and eliminate restrictions that prevent financial leasing development; encourage the PRC financial leasing companies to finance in bond market and support qualified financial leasing companies to raise funds through public offering shares and asset backed securitisation etc.; support the PRC financial leasing companies to issue foreign debt as well as change foreign debts administration policies, shorten procedures and support the pilot programme on foreign debt issuance registration.

However, as many of these laws and regulations are evolving and the leasing industry in the PRC is developing, there are some uncertainties in the interpretation and enforcement of the PRC laws and regulations. These uncertainties may adversely affect the Group's business and prospects.

Many aspects of the business of the Group depend upon receipt of the relevant government authorities' approvals and permits. For example, the NDRC issued the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations （國家發展改革委關於推進企業發行外債備案登記制管理改革的通知（發改外資[2015]2044號）) (the "**NDRC Circular**") on 14 September 2015, which came into effect on the same day. According to the NDRC Circular, domestic enterprises and their overseas controlled entities shall procure the registration of any debt securities with term of one year or more issued outside the PRC with the NDRC prior to the issue of the securities and notify the particulars of the relevant issues within 10 working days after the completion of the issue of such securities. As such, in the event that Notes to which the NDRC Circular is applicable are intended to be issued under the Programme, the Group would need to make a filing with the NDRC prior to the issuance of such Notes. The NDRC Circular is silent on the legal consequences of non-compliance with the pre-issue registration requirement. Similarly, there is no clarity on the legal consequences of non-compliance with the post-issue notification requirement under the NDRC Circular. In the worst case scenario, it might become unlawful for the Group to perform or comply with any of its obligations under the Notes and the Notes might be subject to enforcement as provided in Condition 10 (Events of Default) of the Terms and Conditions. Potential investors of the Notes are advised to exercise due caution when making their investment decisions.

On 7 June 2016 and 14 February 2017, the NDRC further reformed its administration of scale of foreign debt pursuant to a pilot programme (the "**Pilot Programme**"), according to which (1) the NDRC branches of Shanghai, Tianjin, Shenzhen, Xiamen, Chongqing, Fujian Province and Guangdong Province shall be responsible for the NDRC pre-issuance registration for issuances of foreign debts by the enterprises registered in such cities and provinces, and (2) certain enterprises, not including the Company, may choose the time of bond issuances at their own discretion up to an annual quota of foreign debt set by the NDRC and are not required to effect an NDRC pre-issuance registration. Such enterprises subject to the Pilot Programme must still complete the NDRC post-issuance notification within 10 business days of the relevant bond issuance.

As the NDRC Circular (including the Pilot Programme) is a new regulation, it is, however, still uncertain how the NDRC will further interpret, implement and enforce the NDRC Circular. As a result, there is a risk that an NDRC post-issuance notification may not be completed in time or at all. It remains uncertain if the Company would be subject to any specific penalty if it fails (including for reasons outside of the Company's control) to complete the NDRC post-issuance notification within the required timeframe.

The NDRC and the Ministry of Finance issued the Circular on Optimising Market Discipline Mechanism and Strictly Preventing the Risk of Both Foreign and Local Debts（關於完善市場約束機制嚴格防範外債風險和地方債務風險的通知（發改外資[2018]706號）) (the "**Circular 706**") on 17 May 2018, requesting the corporations (including financial companies) which planned to issue medium – and long-term foreign bonds shall carry out market-based financing in accordance with the related laws. According to Circular 706, local governments are prohibited from providing guarantees for the corporations for their market-based financing, and it increases penalties to potential illegal corporations and intermediary parties. Although there are still several uncertain provisions, the Circular 706 is more concrete than previous regulations, and relevant provisions in the Circular 706 have been put into practice in foreign bonds issuance.

On the press conference regarding illegal issuance of foreign bonds held on 15 June 2018, the NDRC stated that it was formulating relevant management measures and planning to formulate "three times of warnings" mechanism, i.e. if it is found for the first time that the corporation has issued foreign bonds which violated the relevant provisions of the NDRC Circular without firstly filling for record, the corporation and intermediary parties such as sponsors and law firms shall be interviewed and relevant warning notice will be published on the website of the NDRC; if the violation is found again, the corporation and relevant intermediary parties will be warned on the website of the NDRC, and such violation will be informed to the public; and if the violation is found for the third time, the related authorities will enquire the corporation and intermediary parties, suspend the registration of the foreign bonds issuance and the participation of relevant intermediary parties to the foreign bonds issuance. It shows that the government is gradually promoting corporations to implement registration of bond issuance mechanism in compliance with laws and regulations, strengthen post-event supervision, prevent and control the risks of foreign bonds issuance.

On the press conference regarding Circular 706 held on 27 June 2018, the NDRC stated that it will continue to enhance the registration of foreign bond issuance and regulate the qualifications and funds allocation of bond issuers, strengthen early warning regarding foreign debt risks, introduce punitive measures for violations, and further improve the market regulation mechanisms.

China has not developed a fully integrated legal system and recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in China. On 15 March 2019, the National People's Congress of the PRC approved the Foreign Investment Law of the PRC (the "**FIL**")（外商投資法）which came into force on 1 January 2020. Upon taking effect, the FIL replaced the three existing laws on foreign investment, i.e., the Law on Sino-Foreign Equity Joint Ventures, the Law on Sino-Foreign Contractual Joint Ventures and the Law on Wholly Foreign Owned Enterprises and become a fundamental law of China in the area of foreign investment. However, the FIL does not contain provisions on the administration of total investment, registered capital and foreign debt of foreign-invested enterprises. This needs to be further clarified by the government. The relative inexperience of China's judiciary also creates additional uncertainty as to the outcome of any litigation. In addition, interpretation of statutes and regulations may be subject to government policies reflecting domestic political changes. Furthermore, because these laws and regulations are relatively new, and because of the limited volume of published decisions and their non-binding nature, the interpretation, implementation and enforcement of these laws and regulations involve uncertainties due to the lack of established practice available for reference. The Group cannot predict the effect of future legal development in China, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or inconsistencies between local rules and regulations and national law. As a result, there is substantial uncertainty as to the legal protection available to the Group and investors in the Notes. In addition, the PRC legal system is based in part on government policies and internal rules (some of which are not published on a timely basis or at all) that may have retroactive effect. As a result, the Group may not be aware of its violation of these policies and rules until sometime after the violation has occurred. This may also limit the remedies available to you as an investor in the event of any claims or disputes with third parties. Any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention.

It may be difficult to effect service of legal process and enforce judgments against the Group or their Directors and the senior management

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

Government control of currency conversion may adversely affect the value of your investments

Most of the Group's revenue is denominated in Renminbi, which is also the reporting currency of the Group. Renminbi is not a freely convertible currency. A portion of the Group's cash may be required to be converted into other currencies in order to meet the Group's foreign currency needs, including cash payments on declared dividends, if any, on the Notes.

However, the PRC government may restrict future access to foreign currencies for current account transactions at its discretion. If this were to occur, the Group might not be able to pay dividends to the holders of the Notes in foreign currencies. On the other hand, capital account transactions must be approved by or registered with the SAFE or its local branch. If the foreign exchange control system prevents the Group from obtaining sufficient foreign currency to satisfy its currency demands, the Group's capital expenditure plans, business operations and consequently its results of operations and financial condition could be materially and adversely affected.

Future fluctuations in the value of the Renminbi could materially and adversely affect the Group's business, financial condition and results of operations

The Group conducts its business mainly in Renminbi. However, a portion of their bank borrowings is denominated in U.S. dollars, although the Group's functional currency is the

Renminbi. As a result, fluctuations in exchange rates, particularly between the Renminbi and the U.S. dollar, could affect the Group's profitability and may result in foreign currency exchange losses of the Group's foreign currency-denominated liabilities.

The exchange rate of the Renminbi against the U.S. dollar and other currencies fluctuates and is affected by, among other things, changes in the PRC's and international political and economic conditions and the PRC government's fiscal and currency policies. Since 1994, the conversion of the Renminbi into foreign currencies, including the Hong Kong dollar and U.S. dollar, has been based on rates set daily by the PBOC based on the previous business day's inter-bank foreign exchange market rates and exchange rates in global financial markets. From 1994 to 20 July 2005, the official exchange rate for the conversion of the Renminbi to U.S. dollars was generally stable. On 21 July 2005, the PRC government adopted a more flexible managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band that is based on market supply and demand with reference to a basket of currencies. From 21 July 2005 to 30 September 2011, the value of the Renminbi appreciated by approximately 30.2 per cent. against the U.S. dollar. On 19 June 2010, the PBOC announced that the PRC government would reform the Renminbi exchange rate regime and increase the flexibility of the exchange rate by allowing greater flexibility in the Renminbi exchange rate and on 16 April 2012 the band was expanded to 1.0 per cent.. On 17 March 2014, the PBOC announced that effective on the same day, the floating band for the trading prices in the inter-bank spot exchange market of Renminbi against the U.S. dollar would be further increased from 1.0 per cent. to 2.0 per cent. around the central parity rate, which allows the Renminbi to fluctuate against the U.S. dollar by up to 1.0 per cent. above or below the central parity rate published by the PBOC.

The PBOC surprised markets in August 2015 by devaluing the Renminbi, lowering its daily mid-point trading price significantly against the U.S. dollar for three times. The currency devaluation of the Renminbi was intended to bring it more in line with the market by taking market signals into account. Renminbi depreciated significantly against the U.S. dollar following this August 2015 announcement by the PBOC. In January and February 2016, Renminbi experienced further fluctuation in value against the U.S. dollar. The International Monetary Fund announced on 30 September 2016 that, effective 1 October 2016, the Renminbi has been added to its Special Drawing Rights currency basket. The PRC government has since made and in the future may make further adjustments to the exchange rate system. Following the gradual appreciation of Renminbi in 2017, Renminbi experienced a recent depreciation in value against U.S. dollar following a fluctuation in the first half of 2018. In August 2019, the PBOC on 5 August 2019 set the Renminbi's daily reference rate above 7 per U.S. dollar for the first time in over a decade amidst an uncertain trade and global economic climate. Since June 2020, Renminbi has been experiencing another round of appreciation against U.S. dollar. With an increased floating range of the Renminbi's value against foreign currencies and a more market-oriented mechanism for determining the mid-point exchange rates, the Renminbi may further appreciate or depreciate significantly in value against the U.S. dollar or other foreign currencies in the long-term. There remains significant international pressure on the PRC government to adopt a more flexible currency policy, which could result in further and more significant appreciation of the Renminbi against the U.S. dollar. The Group cannot provide any assurance that the Renminbi will not experience significant appreciation against the U.S. dollar in the future. Any significant decrease in the value of the Renminbi against foreign currencies could increase the value of the Group's foreign currency-denominated expenses and liabilities.

Risks Relating to the Notes Issued under the Programme and the Guarantee

The Notes may not be a suitable investment for all investors

Each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(i) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Offering Circular, any applicable supplement to the Offering Circular or any Pricing Supplement;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;

(iv) understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant indices and financial markets; and

(v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes may be complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to the purchaser's overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Additionally, the investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Notes are legal investments for it, (2) the Notes can be used as collateral for various types of borrowing, and (3) other restrictions apply to its purchase of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

Investors shall pay attention to any modifications and waivers

The Conditions contain provisions for calling meetings of Noteholders (including by way of teleconference or videoconference call) to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Conditions also provide that the Trustee may, without the consent of Noteholders, Receiptholders or Couponholders, agree to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the Conditions or any of the provisions of the Trust Deed, or determine, without any such consent as aforesaid, that any Event of Default or Potential Event of Default (as defined in the Trust Deed) shall not be treated as such (provided that, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders) or (ii) any modification which, in the opinion of the Trustee, is of a formal, minor or technical nature or is to correct a manifest error.

Substitutions may be made in respect of the Issuer and/or the Guarantor.

The Conditions of the Notes provide that the Trustee may but shall not be obliged to, subject to the amendment of the Trust Deed and other conditions as the Trustee may require, without the consent of the Noteholders, Receiptholders or Couponholders agree to the substitution of the Issuer's successor in business or any Subsidiary (as defined in the Conditions of the Notes) of the Issuer or its successor in business or of the Guarantor or its successor in business or any subsidiary of the Guarantor or its successor in business in place of the Issuer or the Guarantor, or of any previous substituted company, as principal debtor or guarantor under the Trust Deed, the relevant Deed of Guarantee, the Notes, the Receipts, the Coupons and the Talons. In the case of such a substitution, the Trustee may but shall not be obliged to, without the consent of the Noteholders, Receiptholders or the Couponholders, to a change of the law governing the Notes, the Receipts, the Coupons, the Talons, the relevant Deed of Guarantee and/or the Trust Deed provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Noteholders.

A change in English law which governs the Notes may adversely affect Noteholders

The Conditions of the Notes are governed by English law in effect as at the date of issue of the relevant Notes. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the relevant Notes.

Noteholders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade

In relation to any issue of Notes which have a denomination consisting of a minimum Specified Denomination (as defined in the Conditions of the Notes) plus a higher integral multiple of another smaller amount, it is possible that the Notes may be traded in amounts in excess of the minimum Specified Denomination that are not integral multiples of such minimum Specified Denomination. In such a case a Noteholder who, as a result of trading such amounts, holds a principal amount of less than the minimum Specified Denomination will not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations. If definitive Notes are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

The Issuer is a special purpose company with no business activities or assets of its own and will be dependent on funds from the Group to make payments under the Notes

The Issuer was established by the Group specifically for the purpose of issuing the Notes and will on-lend the entire proceeds from the issue of the Notes to the Guarantor and/or other members of the Group. The Issuer does not and will not have any assets other than such loan receivables and its ability to make payments under the Notes will depend on its receipt of timely payments under such loan agreement or other financing arrangements with the Guarantor and/or other members of the Group. The ability of the Guarantor or the Group's other members to provide funding to the Issuer is subject to their operating performance and profitability, and to applicable laws.

International financial markets and world economic conditions may adversely affect the market price of the Notes

If the international financial markets and world economic conditions decline, the market price of the Notes may be adversely affected. The securities market in the PRC is, to varying degrees, influenced by economic and market conditions in other markets, especially those in Asia. While economic conditions differ across nations, investors' reactions to developments in one country can affect the securities markets and the securities of issuers in other countries, including China. Since the sub-prime mortgage crisis in 2008, the international financial markets have experienced significant volatility. If similar developments occur in the international financial markets in the future, the market price of the Notes could be adversely affected.

If the Guarantor fails to submit the Deed of Guarantee for registration with SAFE or complete such registration with SAFE within the time period prescribed by SAFE, there may be logistical hurdles for cross-border payment under the Guarantee

If the Guarantor fails to submit the Deed of Guarantee for registration with SAFE or complete such registration with SAFE within the time period prescribed by SAFE, there may be logistical hurdles for cross-border payment under the Guarantee. The Guarantor will enter into a Deed of Guarantee in respect of each Tranche of Notes issued under the Programme. Pursuant to such Deed of Guarantee, the Guarantor will unconditionally and irrevocably guarantee the due payment of all sums expressed to be payable by the Issuer under such Tranche of Notes and the Trust Deed. The Guarantor is required to submit for registration the Deed of Guarantee and other documents to SAFE for registration in accordance with the Foreign Exchange Administration Rules on Cross-border Security（跨境擔保外匯管理規定）within the prescribed time frame after the issue date of the relevant Tranche of Notes. Although the non-registration does not render the Guarantee of the Notes ineffective or invalid under PRC law, SAFE may impose penalties on the Guarantor. The Guarantor intends to use its best endeavours to complete the registration of the Deed of Guarantee on or before the Registration Deadline (as defined in the Conditions of the Notes). Following the occurrence of a Non-Registration Event (as defined in the Conditions of the Notes), the Issuer shall redeem on the Non-Registration Event Redemption Date (as defined in the Terms and Conditions of the Notes) all but not some only, of the relevant Tranche of Notes subject to the Non-Registration Event at 100 per cent. of the principal amount, together with interest accrued to such Non-Registration Event Redemption Date. The administration of the Foreign Exchange Administration Rules on Cross-border Security may be subject to a certain degree of executive and policy discretion by SAFE. There is no assurance that the registration of the relevant Deed of Guarantee with SAFE can be completed by the Guarantor or that future changes in PRC laws and regulations will not have a negative impact on the validity and enforceability of the relevant Deed of Guarantee in the PRC.

The Issuer may be unable to redeem the Notes

On certain dates, including the occurrence of any early redemption event specified in the relevant Pricing Supplement or otherwise and at maturity of the Notes, the Issuer may, and at maturity, will, be required to redeem all of the Notes. If such an event were to occur, the Issuer and the Guarantor may not have sufficient cash on hand and may not be able to arrange financing to redeem the Notes in time, or on acceptable terms, or at all. The ability to redeem the Notes in such event may also be limited by the terms of other debt instruments. Failure to repay, repurchase or redeem tendered Notes by the Issuer would constitute an event of default under the Notes, which may also constitute a default under the terms of other indebtedness of the Group.

The liquidity and price of the Notes following the offering may be volatile

The price and trading volume of the Notes may be volatile. Factors such as variations in the Guarantor's consolidated revenues, earnings and cash flows and proposals of new investments, strategic alliances and/or acquisitions, interest rates fluctuations in prices for the securities of comparable companies and any adverse change in the credit and rating could cause the price of the Notes to change. Any such developments may result in large and sudden changes in the volume and price at which the Notes trade. There is no assurance that these developments will not occur in the future.

If any member of the Group is unable to comply with the restrictions and covenants in its respective debt agreements, or the Notes, there could be a default under the terms of the agreements, or the Notes, which could cause repayment of the relevant debt to be accelerated

If the Issuer or the Guarantor is unable to comply with the restrictions and covenants in the Notes, or if any member of the Group is unable to comply with its current or future debt obligations and other agreements, there could be a default under the terms of these agreements, or the Notes. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend to the Group, accelerate repayment of the debt, declare all amounts borrowed due and payable or terminate the agreements, as the case may be. Furthermore, some of the debt agreements, and the Notes, contain (or may in the future contain) cross-acceleration or cross-default provisions. As a result, the default by the Issuer, the Guarantor or such subsidiary under one debt agreement may cause the acceleration of repayment of debt, including the Notes, or result in a default under its other debt agreements, including the Notes. If any of these events occurs, the assets and cash flows of the Group may be insufficient to repay in full all of their indebtedness, or that they would not be able to find alternative financing. Even if alternative financing could be obtained, the terms may not be favourable or acceptable to the Group.

The Notes and the Guarantee are unsecured obligations

As the Notes and the Guarantee are unsecured obligations, the repayment of the Notes and payment under the Guarantee may be adversely affected if:

(i) the Issuer or the Guarantor enters into bankruptcy, liquidation, reorganisation or other winding-up proceedings;

(ii) there is a default in payment under the Issuer's or the Guarantor's future secured indebtedness or other unsecured indebtedness; or

(iii) there is an acceleration of any of the Issuer's or the Guarantor's indebtedness.

If any of these events were to occur, the Issuer's or the Guarantor's assets may not be sufficient to pay amounts due on the Notes.

The insolvency laws of Hong Kong, the PRC and other local insolvency laws may differ from those of another jurisdiction with which the holders of the Notes are familiar

The Issuer and the Guarantor are incorporated under the laws of Hong Kong and the PRC, respectively, any insolvency proceeding relating to the Issuer or the Guarantor would likely involve insolvency laws of Hong Kong or the PRC, as applicable, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the holders of the Notes are familiar.

The Notes may be represented by Global Notes or Global Certificates and holders of a beneficial interest in a Global Note or Global Certificate must rely on the procedures of the relevant Clearing System(s)

Notes issued under the Programme may be represented by one or more Global Notes or by Global Certificates. Such Global Notes or Global Certificates will be deposited with a common depositary for Euroclear and Clearstream, or lodged with a sub-custodian for the CMU (each of Euroclear, Clearstream and the CMU, a "**Clearing System**"). Except in the circumstances described in the relevant Global Note or Global Certificate, investors will not be entitled to receive definitive Notes. The relevant Clearing System(s) will maintain records of the beneficial interests in the Global Notes or the Global Certificates. While the Notes are represented by one or more Global Notes or by Global Certificates, investors will be able to trade their beneficial interests only through the Clearing Systems.

While the Notes are represented by one or more Global Notes or by Global Certificates, the Issuer will discharge its payment obligations under the Notes by making payments to the relevant Clearing System for distribution to their account holders or, in the case of the CMU, to the persons for whose account(s) interests in such Global Note or Global Certificate are credited as being held in the CMU in accordance with the CMU Rules as notified by the CMU to the Issuer in a relevant CMU Issue Position Report or any other notification by the CMU.

A holder of a beneficial interest in a Global Note or Global Certificate must rely on the procedures of the relevant Clearing System(s) to receive payments under the relevant Notes. The Issuer does not have any responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes or the Global Certificates.

Holders of beneficial interests in the Global Notes or the Global Certificates will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant Clearing System(s) to appoint appropriate proxies. Similarly, holders of beneficial interests in the Global Notes or the Global Certificates will not have a direct right under the respective Global Notes or Global Certificates to take enforcement action against the Issuer in the event of a default under the relevant Notes but will have to rely upon their rights under the Trust Deed.

The Trustee may request Noteholders to provide an indemnity and/or security and/or pre-funding to its satisfaction

In certain circumstances (including, without limitation, the giving of notice to the Issuer pursuant to Condition 10 of the Conditions of the Notes and the taking of enforcement proceedings against the Issuer pursuant to Condition 12 of the Conditions of the Notes), the Trustee may (at its sole discretion) request Noteholders to provide an indemnity and/or security and/or pre-funding to its satisfaction before it takes actions on behalf of Noteholders. The Trustee shall not be obliged to take any such actions if not indemnified and/or secured and/or pre-funded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or pre-funding can be a lengthy process and may impact on when such actions can be taken. The Trustee may not be able to take actions, notwithstanding the provision of an indemnity or security or pre-funding to it, in breach of the terms of the Trust Deed (as defined in the Conditions of the Notes) and in circumstances where there is uncertainty or dispute as to the applicable laws or regulations and, to the extent permitted by the agreements and the applicable law, it will be for the Noteholders to take such actions directly.

The Issuer may be treated as a PRC resident enterprise for PRC tax purposes, which may subject the Issuer to PRC income taxes on its worldwide income and PRC withholding taxes on interest the Issuer pays on the Notes

Under the PRC Enterprise Income Tax Law (the "**EIT Law**") which was passed on 16 March 2007 and was subsequently amended on 24 February 2017 (effective as of the same date) and 29 December 2018 (effective as of the same date), and the implementation rules which took effect on 1 January 2008 and was subsequently amended on 23 April 2019 (effective as of the same date), enterprises established outside the PRC whose "de facto management bodies" are located in China are considered "resident enterprises" for PRC tax purposes.

The implementation rules define the term "de facto management bodies" as "bodies that substantially carry out comprehensive management and control of the business operations, employees, accounts and assets of enterprises". In April 2009, the State Administration of Taxation specified certain criteria for the determination of the "de facto management bodies" for foreign enterprises that are controlled by PRC enterprises. In July 2011, the State Administration of Taxation released the Public Announcement of State Administration of Taxation on Promulgation of the Administrative Measures on Income Tax on Overseas Registered Chinese-funded Holding Resident Enterprises (Trial Implementation) which set forth the process on determination of an overseas registered Chinese-funded holding resident enterprise.

The Issuer may hold its shareholders' meetings and certain board meetings outside China and keep its shareholders' list outside China. However, most of its directors and senior management are currently based inside China and it may keep its books of account inside China. The above elements may be relevant for the tax authorities to determine whether the Issuer is a PRC resident enterprise for tax purposes. However, there is no clear standard published by the tax authorities for making such a determination. In practice, only a few overseas registered Chinese-funded holding enterprises are recognised as resident enterprise registered outside China.

Although it is unclear under PRC tax law whether the Issuer has a "de facto management body" located in China for PRC tax purposes, the Group takes the position that the Issuer is not a PRC resident enterprise for tax purposes. The Group cannot assure you that the tax authorities will agree with the Issuer's position. If the Issuer is deemed to be a PRC resident enterprise under the EIT Law, the Issuer would be subject to the PRC enterprise income tax at the rate of 25 per cent. on its worldwide taxable income. Furthermore, the Issuer may be obligated to withhold PRC income tax of up to 7 per cent. on payments of interest and certain other amounts on the Notes to investors that are Hong Kong resident enterprises or 10 per cent. on payments of interest and other amounts on the Notes to investors that are not Hong Kong resident enterprises, provided that there are no tax treaties between China and those countries which exempt or reduce such withholding tax, because the interest and other amounts may be regarded as being derived from sources within the PRC. In addition, if the Issuer fails to do so, it may be subject to fines and other penalties. Similarly, any gain realised by such non-resident enterprise investors from the transfer of the Notes may be regarded as being derived from sources within the PRC and may accordingly be subject to a 10 per cent. PRC withholding tax. Pursuant to the PRC Individual Income Tax Law, any non-resident individual Noteholders may be subject to individual income tax at the rate of 20 per cent. on the interest payable, which may be further decreased by an applicable tax treaty. For details, please see "Taxation – PRC" in this Offering Circular.

On 23 March 2016, the Ministry of Finance of the PRC ("**MOF**") and the State Administration of Taxation of the PRC issued the Circular of Full Implementation of Replacing

Business Tax with Value-Added Tax Reform (Caishui [2016] No. 36) ("**Circular 36**"), which introduced a new value-added tax ("**VAT**") from 1 May 2016. VAT is applicable where entities or individuals provide services within the PRC. If the Issuer is treated as PRC tax resident and if PRC tax authorities take the view that the Noteholders are providing loans within the PRC, or if the Guarantor is treated as PRC tax resident and in the event that the Guarantor is required to fulfil its obligations under the Guarantee by making interest payments on behalf of the Issuer, the Noteholders will be subject to VAT at the rate of 6 per cent. and certain surcharges when receiving the interest payments under the Notes. VAT is unlikely to be applicable to any transfer of Notes between entities or individuals located outside of the PRC and therefore unlikely to be applicable to gains realised upon such transfers of Notes, but there is uncertainty as to the applicability of VAT if either the seller or buyer of Notes is located inside the PRC. Circular 36 together with other laws and regulations pertaining to VAT are relatively new and the interpretation and enforcement of such laws and regulations involve uncertainties. Pursuant to the Circular 36, the PRC Urban Maintenance and Construction Tax Law (中華人民共和國城市維護建設稅法) which took effect on 1 September 2021, the Interim Provisions on Imposition of Education Surcharge（徵收教育費附加的暫行規定）, the Notice on Unification of the Application of Urban Maintenance and Construction Tax and Education Surcharge by Domestic and Foreign Enterprises and Individuals（關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知）, the Notice on Relevant Issues of Imposition of Municipal Maintenance and Education Surcharge on Foreign-invested Enterprises（關於對外資企業徵收城市維護建設稅和教育費附加有關問題的通知）, the municipal maintenance tax and education surcharge will be applicable when entities and individuals are obliged to pay VAT (for an aggregate of maximum 12 per cent. on any VAT payable).

If a Noteholder, being a non-resident enterprise or non-resident individual, is required to pay any PRC taxes on interests, dividends or gains on the transfer of the Notes, the value of the relevant Noteholder's investment in the Notes may be materially and adversely affected.

The credit ratings assigned to the Notes may not reflect all risks

One or more independent credit rating agencies may assign credit ratings to an issue of Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

Risks Relating to the Structure of a Particular Issue of Notes

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain such features:

Notes subject to optional redemption by the Issuer may have a lower market value than Notes that cannot be redeemed

Unless in the case of any particular Tranche of Notes the relevant Pricing Supplement specifies otherwise, in the event that the Issuer or the Guarantor would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Hong Kong or any political subdivision thereof or any authority therein or thereof having power to tax, the Issuer may redeem all outstanding Notes in accordance with the Conditions.

An optional redemption feature is likely to limit the market value of Notes. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Dual Currency Notes have features which are different from single currency issues

The Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

(i) the market price of such Notes may be volatile;

(ii) they may receive no interest;

(iii) payment of principal or interest may occur at a different time or in a different currency than expected; and

(iv) the amount of principal payable at redemption may be less than the principal amount of such Notes or even zero.

Failure by an investor to pay a subsequent instalment of partly-paid Notes may result in an investor losing all of its investment

The Issuer may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalments could result in an investor losing all of its investment.

The market price of variable rate Notes with a multiplier or other leverage factor may be volatile

Notes with variable interest rates can be volatile securities. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include such features.

The regulation and reform of "benchmark" rates of interest and indices may adversely affect the value of Notes linked to or referencing such "benchmarks"

Interest rates and indices such as the London Interbank Offerred Rate ("**LIBOR**"), the Euro Interbank Offered Rate ("**EURIBOR**") and other indices which are deemed to be or used as "benchmarks", are the subject of recent national, international regulatory and other regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past or to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Note linked to or referencing such a benchmark.

Regulation (EU) 2016/1011 (the "**EU Benchmark Regulation**") was published in the Official Journal of the EU on 29 June 2016 and will apply from 1 January 2018. The EU Benchmark Regulation applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark, within the European Union. It will, among other things, (i) require benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevent certain uses by EU supervised entities (such as the Issuers) of benchmarks of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed). Regulation (EU) 2016/1011 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**UK Benchmark Regulation**") among other things, applies to the provision of benchmarks and the use of a benchmark in the UK. Similarly, it prohibits the use in the UK by UK supervised entities of benchmarks of administrators that are not authorised by the UK Financial Conduct Authority ("**FCA**") or registered on the FCA register (or, if non-UK based, not deemed equivalent or recognised or endorsed).

The EU Benchmark Regulation and the UK Benchmark Regulation, as applicable could have a material impact on any Notes linked to a rate or index deemed to be a "benchmark", in particular, if the methodology or other terms of the "benchmark" are changed in order to comply with the requirements of the EU Benchmark Regulation and/or the UK Benchmark Regulation as applicable. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the "benchmark".

More broadly, any of the international, national, or other proposals, for reforms or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements. Specifically, the sustainability of LIBOR has been questioned as a result of the absence of relevant active underlying markets and possible disincentives (including possibly as a result of benchmark reforms) for market participants to continue contributing to such benchmarks. On 27 July 2017, and in a subsequent speech by its Chief Executive on 12 July 2018, the FCA confirmed that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021 (the "**FCA Announcements**"). The FCA Announcements indicated that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021.

In addition, each of the EU Benchmark Regulation and the UK Benchmark Regulation stipulates that each administrator of a "benchmark" regulated thereunder must be licensed by the competent authority of the Member State where such administrator is located. There is a risk that administrators of certain "benchmarks" will fail to obtain a necessary licence, preventing them from continuing to provide such "benchmarks". Other administrators may cease to administer certain "benchmarks" because of the additional costs of compliance with the EU Benchmark Regulation, the UK Benchmark Regulations and other applicable regulations, and the risks associated therewith. There is also a risk that certain benchmarks may continue to be administered but may in time become obsolete.

In addition, on 29 November 2017, the Bank of England and the FCA announced that, from January 2018, its Working Group on Sterling Risk-Free Rates has been mandated with implementing a broad-based transition to the Sterling Overnight Index Average ("**SONIA**") over the next four years across sterling bond, loan and derivative markets, so that SONIA is established as the primary sterling interest rate benchmark by the end of 2021.

Separate workstreams are also underway in Europe to reform EURIBOR using a hybrid methodology and to provide a fallback by reference to a euro risk-free rate (based on a euro overnight risk-free rate as adjusted by a methodology to create a term rate). On 13 September

2018, the working group on euro risk-free rates recommended Euro Short-term Rate ("**ESTR**") as the new risk free rate. ESTR is expected to be published by the ECB by October 2019. In addition, on 21 January 2019, the euro risk free-rate working group published a set of guiding principles for fallback provisions in new euro denominated cash products (including bonds). The guiding principles indicate, among other things, that continuing to reference EURIBOR in relevant contracts may increase the risk to the euro area financial system.

Following the implementation of any such potential reforms, the manner of administration of benchmarks may change, with the result that they may perform differently than in the past, or the benchmark could be eliminated entirely, or there could be other consequences that cannot be predicted. Such factors may have (without limitation) the following effects on certain benchmarks: (i) discouraging market participants from continuing to administer or contribute to a benchmark; (ii) triggering changes in the rules or methodologies used in the benchmark and/or (iii) leading to the disappearance of the benchmark. Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Notes linked to, referencing, or otherwise dependent (in whole or in part) upon, a benchmark.

The Conditions provide for certain fallback arrangements in the event that a published benchmark, such as LIBOR, EURIBOR and/or any page on which such benchmark may be published (or any other successor service) becomes unavailable or a Benchmark Event (a defined in the Conditions) otherwise occurs. Such fallback arrangements include the possibility that the Rate of Interest could be set by reference to a Successor Rate or an Alternative Rate (both as defined in the Conditions), with or without the application of an adjustment spread and may include amendments to the Conditions to ensure the proper operation of the successor or replacement benchmark, all as determined by the Issuer (acting in good faith and in consultation with an Independent Adviser). If, following the occurrence of a Benchmark Event, no Successor Rate or Alternative Rate is determined, the ultimate fallback for the purposes of calculation of the Rate of Interest for a particular Interest Period may result in the Rate of Interest for the last preceding Interest Period being used. This may result in the effective application of a fixed rate for Floating Rate Notes based on the rate which was last observed on the Relevant Screen Page. Due to the uncertainty concerning the availability of Successor Rates and Alternative Rates, the involvement of an Independent Adviser and the potential for further regulatory developments there is a risk that the relevant fallback provisions may not operate as intended at the relevant time.

Any such consequences could have a material adverse effect on the value of and return on any such Notes. Moreover, any of the above matters or any other significant change to the setting or existence of any relevant reference rate could affect the ability of the Issuer to meet its obligations under the Floating Rate Notes or could have a material adverse effect on the value or liquidity of, and the amount payable under, the Floating Rate Notes. Investors should consider these matters when making their investment decision with respect to the relevant Floating Rate Notes.

Inverse Floating Rate Notes are typically more volatile than conventional floating rate debt

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate. The market values of such Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

Notes carrying an interest rate which may be converted from fixed to floating interest rates and vice-versa, may have lower market values than other Notes

Fixed/Floating Rate Notes may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of such Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Notes.

The market prices of Notes issued at a substantial discount or premium tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities

The market values of securities issued at a substantial discount or premium to their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

Risks Relating to the Market Generally

Set out below is a brief description of certain market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

Notes issued under the Programme have no current active trading market and may trade at a discount to their initial offering price and/or with limited liquidity

Notes issued under the Programme will be new securities which may not be widely distributed and for which there is currently no active trading market (unless in the case of any particular Tranche, such Tranche is to be consolidated with and form a single series with a Tranche of Notes which is already issued). If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer. If the Notes are trading at a discount, investors may not be able to receive a favourable price for their Notes, and in some circumstances investors may not be able to sell their Notes at all or at their fair market value. Although an application has been made for the Notes issued under the Programme to be admitted to listing on the HKSE, there is no assurance that such application will be accepted, that any particular Tranche of Notes will be so admitted or that an active trading market will develop. In addition, the market for investment grade and crossover grade debt has been subject to disruptions that have caused volatility in prices of securities similar to the Notes issued under the Programme. Accordingly, there is no assurance as to the development or liquidity of any trading market, or that disruptions will not occur, for any particular Tranche of Notes.

Exchange rate risks and exchange controls may result in investors receiving less interest or principal than expected

The Issuer will pay principal and interest on the Notes in the currency specified in the relevant Pricing Supplement (the "**Specified Currency**"). This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Changes in market interest rates may adversely affect the value of Fixed Rate Notes

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of Fixed Rate Notes.

Risks Relating to Renminbi-denominated Notes

Notes denominated in Renminbi ("**Renminbi Notes**") may be issued under the Programme. Renminbi Notes contain particular risks for potential investors.

Renminbi is not freely convertible; there are significant restrictions on remittance of Renminbi into and outside the PRC

Renminbi is not freely convertible at present. The PRC government continues to regulate conversion between Renminbi and foreign currencies, including the Hong Kong dollar, despite significant reduction in control by it in recent years over trade transactions involving import and export of goods and services as well as other frequent routine foreign exchange transactions. These transactions are known as current account items. Participating banks in Hong Kong, Singapore and Taiwan have been permitted to engage in the settlement of current account trade transactions in Renminbi under various pilot schemes.

However, remittance of Renminbi by foreign investors into the PRC for purposes such as capital contributions, known as capital account items, is generally only permitted upon obtaining specific approvals from the relevant authorities on a case-by-case basis and subject to a strict monitoring system. Regulations in the PRC on the remittance of Renminbi into the PRC for settlement of capital account items is developing gradually.

In respect of Renminbi foreign direct investments ("**FDI**"), PBOC promulgated the *Administrative Rules on Settlement of RMB-denominated Foreign Direct Investment* (PBC Document No.23 [2011])(外商直接投資人民幣結算業務管理辦法)(the "**PBOC FDI Measures**") on 13 October 2011 as part of PBOC's detailed Renminbi FDI accounts administration system. The system covers almost all aspects in relation to FDI, including capital injections, payments for the acquisition of PRC domestic enterprises, repatriation of dividends and other distributions, as well as Renminbi denominated cross-border loans. On 14 June 2012, PBOC issued a circular setting out the operational guidelines for FDI. PBOC further issued the *Circular on the Relevant Issues on Renminbi Settlement of Investment in Onshore Financial Institutions by Foreign Investors*(關於境外投資者投資境內金融機構人民幣結算有關事項的通知)on 23 September 2013, which provides further details for using Renminbi to invest in a financial institution domiciled in the PRC. Under the PBOC FDI Measures, special approval for FDI and shareholder loans from PBOC, which was previously required, is no longer necessary. In some cases, however, post-event filing with PBOC is still necessary.

On 3 December 2013, MOFCOM promulgated the *Circular on Issues in relation to Cross-border Renminbi Foreign Direct Investment* （關於跨境人民幣直接投資有關問題的公告） (the "**MOFCOM Circular**"), which became effective on 1 January 2014, to further facilitate FDI by simplifying and streamlining the applicable regulatory framework. Pursuant to the MOFCOM Circular, the appropriate office of MOFCOM and/or its local counterparts will grant written approval for each FDI and specify "Renminbi Foreign Direct Investment" and the amount of capital contribution in the approval. Unlike previous MOFCOM regulations on FDI, the MOFCOM Circular removes the approval requirement for foreign investors who intend to change the currency of its existing capital contribution from a foreign currency to Renminbi. In addition, the MOFCOM Circular also clearly prohibits the FDI funds from being used for any investment in securities and financial derivatives (except for investment in the PRC listed companies as strategic investors) or for entrustment loans in the PRC.

To support the development of the China (Shanghai) Pilot Free Trade Zone (the "**Shanghai FTZ**"), the Shanghai Head Office of the PBOC issued the Circular on Supporting the Expanded Cross-border Utilisation of Renminbi in the Shanghai FTZ （中國人民銀行上海總部關於支持中國（上海）自由貿易試驗區擴大人民幣跨境使用的通知）on 20 February 2014, which allows banks in Shanghai to settle FDI based on a foreign investor's instruction. In respect of FDI in industries that are not on the "negative list" of the Shanghai FTZ, the MOFCOM approval previously required is replaced by a filing. However, the application of the Shanghai FTZ Circular is limited to the Shanghai FTZ.

As the SAFE Notice, the PBOC FDI Measures, the PBOC Notice and the MOFCOM Circular are relatively new circulars, they will be subject to interpretation and application by the relevant authorities in the PRC.

Starting from 1 October 2016, the Renminbi has been added to the Special Drawing Rights basket created by the International Monetary Fund. The PRC government will continue gradually to liberalise control over cross-border remittance of Renminbi in the future, the pilot schemes for Renminbi cross-border utilisation will be continued and new regulations in the PRC will be promulgated.

The PBOC promulgated Notice of the People's Bank of China on Further Improving Policies of Cross-Border RMB Business to Promote Trade and Investment Facilitation on 5 January 2018 (Yin Fa [2018] No. 3) （中國人民銀行關於進一步完善人民幣跨境業務政策促進貿易便利化的通知）（銀發 [2018]3號）. The Yin Fa [2018] No. 3 provides any cross-border transactions that use a foreign exchange currency can use Renminbi for settlement. Domestic enterprises which issue RMB bonds abroad may, upon completing relevant formalities in accordance with macro-prudential regulations on comprehensive cross-border financing, remit the funds raised overseas to the PRC for their use as actually needed. The RMB funds raised by domestic enterprises through issuing overseas bonds may be remitted to China for use upon actual demands.

On 11 May 2018, the PBOC released Monetary Policy Implementation Report of China（中國貨幣政策執行報告）for the first quarter 2018. According to the report, the PBOC encourages to use Renminbi in cross border trade transactions and investments and to develop direct trade market of conversion between Renminbi and foreign currencies.

According to the FIL, foreign investors may, according to the present laws and regulations, freely remit into or out of China, in Renminbi or any other foreign currency, their capital contributions, profits, capital gains, income from asset disposal, intellectual property royalties, lawfully acquired compensation, indemnity or liquidation income and so on within the territory of China.

Notwithstanding the foregoing, in the event that funds cannot be repatriated out of the PRC in Renminbi, this may affect the overall availability of Renminbi outside the PRC and the ability of the Issuer to source Renminbi to finance its obligations under Notes denominated in Renminbi.

There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of Renminbi Notes and the Issuer's and the Guarantor's ability to source Renminbi outside the PRC to service such Renminbi Notes

As a result of the restrictions by the PRC government on cross-border Renminbi fund flows, the availability of Renminbi outside the PRC is limited. While PBOC has entered into agreements on the clearing of Renminbi business with financial institutions in a number of financial centres and cities (the "**Renminbi Clearing Banks**"), including, but not limited to, Hong Kong and are in the process of establishing Renminbi clearing and settlement mechanisms in several other jurisdictions (the "**Settlement Arrangements**"), the current size of Renminbi denominated financial assets outside the PRC is limited.

There are restrictions imposed by PBOC on Renminbi business participating banks in respect of cross-border Renminbi settlement, such as those relating to direct transactions with PRC enterprises. Furthermore, Renminbi business participating banks do not have direct Renminbi liquidity support from PBOC. The Renminbi Clearing Banks only have access to onshore liquidity support from PBOC for the purpose of squaring open positions of participating banks for limited types of transactions and are not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services. In such cases, the participating banks will need to source Renminbi from outside the PRC to square such open positions.

However, the PRC government supported the development of cross-border Renminbi settlement in recently years. On 23 March 2018, PBOC has promulgated Issuance of Notice of People's Bank of China on Operation Rules of Cross Border Interbank Payment System（中國人民銀行關於印發《人民幣跨境支付系統業務規則的通知》）. The notice regulates cross border interbank payment conducts, clarifies management rules on participants and protects legitimate rights of operating institutions and participants of cross border interbank payment system (the "**CIPS**"). According to PBOC, the CIPS will be developed in two phases. The first phase that started running in October 2015 adopts full amount clearing and settlement. And the second phase that started running in May 2018 introduces mixed settlement saving more fluidity.

Although it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or the Settlement Arrangements will not be terminated or amended in the future which will have the effect of restricting availability of Renminbi offshore. The limited availability of Renminbi outside the PRC may affect the liquidity of Renminbi Notes. To the extent the Issuer is required to source Renminbi in the offshore market to service Renminbi Notes, there is no assurance that the Issuer will be able to source such Renminbi on satisfactory terms, if at all.

Investment in Renminbi Notes is subject to exchange rate risks

The value of the Renminbi against the U.S. dollar and other foreign currencies fluctuates and is affected by changes in the PRC, by international political and economic conditions and by many other factors. All payments of interest and principal will be made with respect to Renminbi Notes in Renminbi unless otherwise specified. If an investor measures its investment returns by reference to a currency other than Renminbi, an investment in the Renminbi Notes entails foreign exchange related risks, including possible significant changes in the value of Renminbi relative to the currency by reference to which an investor measures its investment returns. Depreciation of the Renminbi against such currency could cause a decrease in the effective yield of the Renminbi Notes below their stated coupon rates and could result in a loss when the return on the Renminbi Notes is translated into such currency. In August 2015, the PBOC changed the way it calculates the mid-point price of Renminbi against the U.S. dollar, requiring the market-makers who submit for the PBOC's reference rates to consider the previous day's closing spot rate, foreign-exchange demand and supply as well as changes in major currency rates. This change, and other changes such as widening the trading band that may be implemented, may increase volatility in the value of the Renminbi against foreign currencies. In addition, there may be tax consequences for investors as a result of any foreign currency gains resulting from any investment in Renminbi Notes.

Payments in respect of Renminbi Notes will only be made to investors in the manner specified in such Renminbi Notes

All payments to investors in respect of Renminbi Notes will be made solely by (i) when Renminbi Notes are represented by Global Notes, transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing CMU rules and procedures, or (ii) when Renminbi Notes are in definitive form, transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing rules and regulations. The Issuer and the Guarantor cannot be required to make payment by any other means (including in any other currency or in bank notes, by cheque or draft or by transfer to a bank account in the PRC).

FORM OF PRICING SUPPLEMENT

The Pricing Supplement that will be issued in respect of each Tranche will be substantially in the following form, duly supplemented (if necessary), amended (if necessary) and completed to reflect the particular terms of the relevant Notes and their issues:

[Date]

Haitong UT Brilliant Limited

Issue of [*Aggregate Principal Amount of Tranche*] [*Title of Notes*]

Guaranteed by Haitong Unitrust International Financial Leasing Co., Ltd.

(海通恆信國際融資租賃股份有限公司)

under its U.S.$1,000,000,000

Medium Term Note Programme

[**MiFID II product governance/Professional investors and ECPs only target market** – Solely for the purposes of [the/each] manufacturer['s/s'] product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "**MiFID II**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

[UK MIFIR product governance / Professional investors and ECPs only target market – Solely for the purposes of [the/each] manufacturer['s/s'] product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the [Notes] is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("**COBS**"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**UK MiFIR**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.**]**

PRIIPs REGULATION – PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II[.]/[; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended, the "**Prospectus Directive**")]. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.

PRIIPs REGULATION – PROHIBITION OF SALES TO UK RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

[In connection with Section 309B of the Securities and Futures Act 2001 of Singapore (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Issuer has, unless otherwise specified before an offer of Notes, determined the classification of the Notes to be issued under the Programme as prescribed capital markets products (as defined in the CMP Regulations 2018).]

This document constitutes the Pricing Supplement relating to the issue of Notes described herein.

[*Include the following language if the Notes are to be listed on the Hong Kong Stock Exchange*.

This Pricing Supplement is for distribution to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**HKSE**"), the "**Professional Investors**") only. **Notice to Hong Kong investors:** the Issuer and the Guarantor confirm that the Notes are intended for purchase by Professional Investors only and will be listed on the HKSE on that basis. Accordingly, the Issuer and the Guarantor confirm that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

HKSE has not reviewed the contents of this Pricing Supplement, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this Pricing Supplement to Professional Investors only have been reproduced in this Pricing Supplement. Listing of the Programme and the Notes on HKSE is not to be taken as an indication of the commercial merits or credit quality of the Programme, the Notes, the Issuer, the Guarantor, the Group or the quality of disclosure in this Pricing Supplement. Hong Kong Exchanges and Clearing Limited and HKSE take no responsibility for the contents of this Pricing Supplement, make no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Pricing Supplement.

This Pricing Supplement includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purposes of giving information with regard to the Issuer, the Guarantor and the Group. Each of the Issuer and the Guarantor accepts full responsibility for the accuracy of the information contained in this Pricing Supplement and confirms, having made all reasonable enquires, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.]

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Offering Circular dated [●] 2022. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Offering Circular. Full information on the Issuer, the Guarantor and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Offering Circular.

[*The following alternative language applies if the first tranche of an issue which is being increased was issued under an Offering Circular with an earlier date.*

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Offering Circular dated [●] 2022. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with the Offering Circular dated [current date], save in respect of the Conditions which are extracted from the Offering Circular dated [●] 2022 and are attached hereto.]

[*Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote directions for completing the Pricing Supplement.*]

[*If the Notes have a maturity of less than one year from the date of their issue, the minimum denomination may need to be £100,000 or its equivalent in any other currency.*]

1	(i)	Issuer:	Haitong UT Brilliant Limited
	(ii)	Guarantor:	Haitong Unitrust International Financial Leasing Co., Ltd. (海通恆信國際融資租賃股份)
2	(i)	Series Number:	[●]
	(ii)	Tranche Number: (If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible)	[●]
	(iii)	Date on which the Notes will be consolidated and form a single Series:	The Notes will be consolidated and form a single Series with [identify earlier Tranches] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 24 below, which is expected to occur on or about [date]] [Not Applicable]
3	Specified Currency or Currencies:		[●]

4	Aggregate Principal Amount:	
	(i) Series:	[●]
	(ii) Tranche:	[●]
5	(i) Issue Price:	[●] per cent. of the Aggregate Principal Amount [plus accrued interest from [*insert date*] (if applicable)]
	[(ii) Net proceeds:	[●]] [Delete for unlisted issuances.]
6	(i) Specified Denominations:[2] [3] [4]	[●]
	(ii) Calculation Amount:	[●]
7	(i) Issue Date:	[●]
	(ii) Interest Commencement Date:	[*specify/Issue Date/Not Applicable*]
8	Maturity Date:	[*Fixed rate – specify date/Floating rate – Interest Payment Date falling in or nearest to [specify month*]][5]
9	Interest Basis:	[[●] per cent. Fixed Rate] [[specify reference rate] +/-[●] per cent. Floating Rate] [*Zero Coupon*] [Dual Currency Interest] [*specify other*] (further particulars specified below)
10	Redemption/Payment Basis:	[Redemption at par] [Dual Currency Redemption] [Partly Paid] [Instalment] [*specify other*]
11	Change of Interest Basis or Redemption/Payment Basis:	*[Specify details of any provision for change of Notes into another Interest Basis or Redemption/Payment Basis]*

2 Notes (including Notes denominated in sterling) in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA and which have a maturity of less than one year and must have a minimum redemption value of Ł100,000 (or its equivalent in other currencies).

3 If the specified denomination is expressed to be €100,000 or its equivalent and multiples of a lower principal amount (for example €1,000), insert the additional wording as follows: €100,000 and integral multiples of [€1,000] in excess thereof up to and including €199,000. No notes in definitive form will be issued with a denomination above €199,000. In relation to any issue of Notes which are a €Global Note exchangeable to Definitive Notes in circumstances other than in the limited circumstances specified in the Global Note, such Notes may only be issued in denominations equal to, or greater than, €100,000 (or equivalent) and multiples thereof.

4 Notes to be listed on the Hong Kong Stock Exchange are required to be traded with a board lot size of at least HK$500,000 (or equivalent in other currencies).

5 Note that for Renminbi and Hong Kong dollar denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification it will be necessary to use the second option here.

12	Put/Call Options:	[Investor Put] [Issuer Call] [Change of Control Put Option] [Non-Registration Event Put Option] [(further particulars specified below)]
13	Date of [Board] approval for issuance of Notes and Guarantee obtained:	[●] [and [●], respectively]] *(N.B. Only relevant where Board (or similar) authorisation is required for the particular Tranche of Notes or related Guarantee)*
14	Listing:	[[●] *specify other/*None]
15	Method of distribution:	[Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

16	Fixed Rate Note Provisions	[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(i) Rate[(s)] of Interest:	[●] per cent. per annum [payable [annually/ semi-annually/quarterly/other (*specify*)] in arrear] (*If payable other than annually, consider amending Condition 5*)
	(ii) Interest Payment Date(s):	[[●] in each year [adjusted in accordance with [*specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"*]/*not adjusted*] (N.B.: This will need to be amended in the case of long or short coupons)
	(iii) Fixed Coupon Amount(s): *(Applicable to Notes in definitive form)*	[●] per Calculation Amount[6]
	(iv) Broken Amount(s): (*Applicable to Notes in definitive form*)	[●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]
	(v) Day Count Fraction:	[30/360 or Actual/Actual (ICMA/ISDA) or Actual/ 365 (Fixed)[7] or [*specify other*]]

6 For Renminbi or Hong Kong dollar denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification the following alternative wording is appropriate: "Each Fixed Coupon Amount shall be calculated by multiplying the product of the Rate of Interest and the Calculation Amount by the Day Count Fraction and rounding the resultant figure to the nearest CNY0.01, CNY0.005 being rounded upwards in the case of Renminbi denominated Fixed Rate Notes and to the nearest HK$0.01, HK$0.005 for the case of Hong Kong dollar denominated Fixed Rate Notes, being rounded upwards."

7 Applicable to Hong Kong dollar denominated Fixed Rate Notes and Renminbi denominated Fixed Rate Notes.

	(vi)	Determination Date(s):	[●] in each year *[Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon]* *(N.B.: This will need to be amended in the case of regular interest payment dates which are not of equal duration)* *(N.B.: Only relevant where Day Count Fraction is Actual/Actual (ICMA))*
	(vii)	Other terms relating to the method of calculating interest for Fixed Rate Notes:	[None/*Give details*]
17		Floating Rate Note Provisions	[Applicable/Not Applicable] *(If not applicable, delete the remaining sub–paragraphs of this paragraph)*
	(i)	Interest Period(s):	[●]
	(ii)	Specified Period(s)/Specified Interest Payment Dates:	[●]
	(iii)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention/ [*specify other*]]
	(iv)	Additional Business Centre(s):	[●]
	(v)	Manner in which the Rate of Interest and Interest Amount is to be determined:	[Screen Rate Determination/ISDA Determination/ *specify other*] [●]
	(vi)	Party responsible for calculating the Rate of Interest and Interest Amount (if not the Issuing and Paying Agent):	[●]
	(vii)	Screen Rate Determination:	
		– Reference Rate:	[●]
		– Interest Determination Date(s):	[●]
		– Relevant Screen Page:	[●]

	(viii)	ISDA Determination:	
		– Floating Rate Option:	[●]
		– Designated Maturity:	[●]
		– Reset Date:	[●]
		– ISDA Definitions:	[2000/2006/specify other]
	(ix)	Margin(s):	[+/-] [●] per cent. per annum
	(x)	Minimum Rate of Interest:	[●] per cent. per annum
	(xi)	Maximum Rate of Interest:	[●] per cent. per annum
	(xii)	Day Count Fraction:	[Actual/Actual or Actual/Actual (ISDA) Actual/365(Fixed) Actual/365(Sterling) Actual/360 30/360, 360/360 or Bond Basis 30E/360 or Eurobond Basis 30E/360 (ISDA) Other] *(See Condition 5 for alternatives)*
	(xiii)	Fallback provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[●]
18	Zero Coupon Note Provisions		[Applicable/Not Applicable] *(If not applicable, delete the remaining sub–paragraphs of this paragraph)*
	(i)	Amortisation Yield:	[●] per cent. per annum
	(ii)	Reference Price:	[●]
	(iii)	Any other formula/basis of determining amount payable:	[●]
	(iv)	Day Count Fraction in relation to Early Redemption Amounts and late payment:	[[30/60] [Actual/360] [Actual/365]] [*specify other*]
19	Dual Currency Interest Note Provisions		[Applicable/Not Applicable] *(If not applicable, delete the remaining sub–paragraphs of this paragraph)*

	(i)	Rate of Exchange/method of calculating Rate of Exchange:	[*give or annex details*]
	(ii)	Party, if any, responsible for calculating the principal and/or interest due (if not the Issuing and Paying Agent):	[●]
	(iii)	Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:	[*need to include a description of market disruption or settlement disruption events and adjustment provisions*]
	(iv)	Person at whose option Specified Currency(ies) is/are payable:	[●]

PROVISIONS RELATING TO REDEMPTION

20	Call Option:		[Applicable/Not Applicable] *(If not applicable, delete the remaining sub–paragraphs of this paragraph)*
	(i)	Optional Redemption Date(s):	[●]
	(ii)	Optional Redemption Amount and method, if any, of calculation of such amount(s):	[[●] per Calculation Amount/specify other/see Appendix]
	(iii)	If redeemable in part:	
		(a) Minimum Redemption Amount:	[●]
		(b) Maximum Redemption Amount:	[●]
	(iv)	Notice period (if other than as set out in the Conditions):	[●] *(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Issuing and Paying Agent or the Trustee.)*
21	Put Option:		[Applicable/Not Applicable] *(If not applicable, delete the remaining sub–paragraphs of this paragraph)*

(i)	Optional Redemption Date(s):	[●]
(ii)	Optional Redemption Amount and method, if any, of calculation of such amount(s):	[[●] per Calculation Amount/specify other/see Appendix]
(iii)	Notice period (if other than as set out in the Conditions):	[●]
		(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Issuing and Paying Agent or the Trustee.)
22	Final Redemption Amount:	[[●] per Calculation *Amount/specify other/ see* Appendix]]
23	Early Redemption Amount payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in Condition 6(b)):	[[●] per Calculation *Amount/specify other/ see* Appendix]]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

24	Form of Notes:	[**Bearer Notes:** [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note] [Temporary Global Note exchangeable for Definitive Notes on [●] days' notice[8]] [Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]] [**Registered Notes:** Global Certificate exchangeable for Individual Note Certificates in the limited circumstances described in the Global Certificate]

8 If the Specified Denominations of the Notes in paragraph 6 includes language substantially to the following effect: "€100,000 and integral multiples of [€1,000] in excess thereof up to and including €199,000 , the Temporary Global Note shall not be exchangeable on [●] days notice.

25	Additional Financial Centre(s) or other special provisions relating to Payment Dates:	[Not Applicable/*give details*] *(Note that this paragraph relates to the place of payment and not Interest Period end dates to which sub-paragraph 17(ii) relates)*
26	Talons for future Coupons or Receipts to be attached to Definitive Bearer Notes (and dates on which such Talons mature):	[Yes/No. *If yes, give details*]
27	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:	[Not Applicable/*give details. N.B.: a new form of Temporary Global Note and/or Permanent Global Note may be required for Partly Paid issues*]
28	Details relating to Instalment Notes:	
	(i) Instalment Amount(s):	[Not Applicable/*give details*]
	(ii) Instalment Date(s):	[Not Applicable/*give details*]
29	Redenomination applicable:	Redenomination [not] applicable [*(If Redenomination is applicable, specify the applicable Day Count Fraction and any provisions necessary to deal with floating rate interest calculation (including alternative reference rates)*]
30	Consolidation provisions:	[The provisions in Condition 15 (*Further Issues*) [annexed to this Pricing Supplement] apply]
31	Other terms or special conditions:	[Not Applicable/*give details*]
32	NDRC Post-Issue Filing	[Applicable/Not Applicable]

DISTRIBUTION

33	(i) If syndicated, names and addresses of Managers:	[Not Applicable/*give names and addresses*]
	(ii) Date of Subscription Agreement:	[●]
	(iii) Stabilising Manager(s) (if any):	[Not Applicable/*give name*]
34	If non-syndicated, name of relevant Dealer:	[Not Applicable/*give name and address*]
35	Total commission and concession:	[●] per cent. of the Aggregate Principal Amount

36	U.S. Selling Restrictions:	[Reg. S Category 1/Category 2; TEFRA D/TEFRA C/TEFRA not applicable]
37	Additional selling restrictions:	[Not Applicable/*give details*]
38	Private Bank Rebate/Commission:	[Not Applicable/*give details*]

OPERATIONAL INFORMATION

39	Any clearing system(s) other than Euroclear or Clearstream and the relevant identification number(s):	[CMU/Not Applicable/*give name(s) and number(s)*]
40	Delivery:	Delivery [against/free of] payment
41	Additional Paying Agent(s) (if any):	[●]
42	ISIN:	[●]
43	Common Code:	[●]
44	Legal Entity Identifier:	[●]
45	Prohibition of Sales to EEA Retail Investors	[Applicable/Not Applicable]
46	Prohibition of Sales to UK Retail Investors	[Applicable/Not Applicable]

(insert here any other relevant codes such as a CMU instrument number)

GENERAL

47	The aggregate principal amount of Notes issued has been translated into U.S. dollars at the rate of [●], producing a sum of (for Notes not denominated in [U.S. dollars]):	[Not Applicable/U.S.$[●]]

[USE OF PROCEEDS

Give details if different from the "Use of Proceeds" section in the Offering Circular.]

[STABILISATION

In connection with this offering, [insert name of Stabilisation Manager], acting as Stabilisation Manager (or persons acting on its behalf) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the Stabilisation Manager (or person acting on behalf of the Stabilisation Manager) in accordance with all applicable laws and rules.]

[LISTING APPLICATION

This Pricing Supplement comprises the final terms required for the issue of Notes described herein pursuant to the U.S.$1,000,000,000 Medium Term Note Programme of Haitong UT Brilliant Limited.]

RESPONSIBILITY

The Issuer and the Guarantor accept responsibility for the information contained in this Pricing Supplement.

Signed on behalf of the Issuer:

By: ________________________________

Duly authorized

Signed on behalf of the Guarantor:

By: ________________________________

Duly authorized

TERMS AND CONDITIONS OF THE NOTES

*The following is the text of the terms and conditions that, subject to completion and amendment and as supplemented or varied in accordance with the provisions of the relevant Pricing Supplement, shall be applicable to the Notes in definitive form (if any) issued in exchange for the Global Note(s) or Global Certificate representing each Series. Either (i) the full text of these terms and conditions together with the relevant provisions of the Pricing Supplement or (ii) these terms and conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such Bearer Notes or on the Certificates relating to such Registered Notes. All capitalised terms that are not defined in these Conditions will have the meanings given to them in the relevant Pricing Supplement. Those definitions will be endorsed on the definitive Notes or Certificates, as the case may be. References in the Conditions to "**Notes**"are to the Notes of one Series only, not to all Notes that may be issued under the Programme.*

The Notes are issued by Haitong UT Brilliant Limited (the "**Issuer**") pursuant to the Trust Deed (as defined below). Issues of Notes by the Issuer under the Programme are guaranteed by Haitong Unitrust International Financial Leasing Co., Ltd. (the "**Guarantor**") as specified hereon. The "**Issue Date**" means the date of issue of the Notes.

The Notes are constituted by a Trust Deed dated 17 May 2021 (as amended, restated and/or supplemented from time to time, the "**Trust Deed**") between the Issuer, the Guarantor, and The Bank of New York Mellon, London Branch (the "**Trustee**", which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Noteholders (as defined below). These terms and conditions (the "**Conditions**") include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bearer Notes, Certificates, Receipts, Coupons and Talons referred to below. An Agency Agreement (as amended, restated and/or supplemented from time to time, the "**Agency Agreement**") dated 17 May 2021 has been entered into in relation to the Notes between the Issuer, the Guarantor, the Trustee, The Bank of New York Mellon, London Branch as initial issuing and paying agent, The Bank of New York Mellon, Hong Kong Branch as lodging and paying agent for Notes to be held in the Central Moneymarkets Unit Service operated by the Hong Kong Monetary Authority (the "**CMU**") and the other agents named in it. The issuing and paying agent, the CMU lodging and paying agent, the other paying agents, the registrar, the transfer agents and the calculation agent(s) for the time being (if any) are referred to below respectively as the "**Issuing and Paying Agent**", the "**CMU Lodging and Paying Agent**", the "**Paying Agents**" (which expression shall include the Issuing and Paying Agent and the CMU Lodging and Paying Agent), the "**Registrar**", the "**Transfer Agents**" (which expression shall include the Registrar) and the "**Calculation Agent(s)**". For the purposes of these Conditions, all references to the Issuing and Paying Agent shall, with respect to a Series of Notes to be held in the CMU, be deemed to be a reference to the CMU Lodging and Paying Agent and all such references shall be construed accordingly. Each Tranche (as defined below) of the Notes will also have the benefit of a deed of guarantee dated on or about the relevant Issue Date of the Notes (as amended, restated and/or supplemented from time to time, each, a "**Deed of Guarantee**") entered into between the Issuer, the Guarantor and the Trustee.

Copies of the Trust Deed, the Agency Agreement and the relevant Deed of Guarantee are (i) available for inspection upon prior written request and satisfactory proof of holding during usual business hours (being 9.00 a.m. to 3.00 p.m.) at the principal office of the Issuing and Paying Agent (presently at One Canada Square, London E14 5AL, United Kingdom) or (ii) available electronically via e-mail from the Issuing and Paying Agent.

The Noteholders, the holders of the interest coupons (the "**Coupons**") relating to interest bearing Notes in bearer form and, where applicable in the case of such Notes, talons for further Coupons (the "**Talons**") (the "**Couponholders**") and the holders of the receipts for the payment of instalments of principal (the "**Receipts**") relating to Notes in bearer form of which the principal is payable in instalments are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the relevant Deed of Guarantee and are deemed to have notice of those provisions applicable to them of the Agency Agreement.

As used in these Conditions, "**Tranche**" means Notes which are identical in all respects, and "**Series**" means a series of Notes comprising one or more Tranches, whether or not issued on the same date, that (except in respect of the issue date, the issue price, the first payment of interest and the timing for completion of the NDRC Post Issuance Filing and the Cross-border Security Registration) have identical terms on issue and are expressed to have the same series number.

1. Form, Denomination and Title

The Notes are issued in bearer form ("**Bearer Notes**") or in registered form ("**Registered Notes**") in each case in the Specified Denomination(s) shown hereon.

This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Instalment Note, a Dual Currency Note or a Partly Paid Note, a combination of any of the foregoing or any other kind of Note, depending upon the Interest Basis and Redemption/Payment Basis shown hereon.

Bearer Notes are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero Coupon Notes in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable. Instalment Notes are issued with one or more Receipts attached.

Registered Notes are represented by registered certificates ("**Certificates**") and, save as provided in Condition 2(c), each Certificate shall represent the entire holding of Registered Notes by the same holder.

Title to the Bearer Notes and the Receipts, Coupons and Talons shall pass by delivery. Title to the Registered Notes shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the "Register"). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note, Receipt, Coupon or Talon shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it (or on the Certificate representing it) or its theft or loss (or that of the related Certificate) and no person shall be liable for so treating the holder.

In these Conditions, "Noteholder" means the bearer of any Bearer Note and the Receipts relating to it or the person in whose name a Registered Note is registered (as the case may be), "holder" (in relation to a Note, Receipt, Coupon or Talon) means the bearer of any Bearer Note, Receipt, Coupon or Talon or the person in whose name a Registered Note is registered (as the case may be) and capitalised terms have the meanings given to them hereon, the absence of any such meaning indicating that such term is not applicable to the Notes.

2. No Exchange of Notes and Transfers of Registered Notes

(a) *No Exchange of Notes:* Registered Notes may not be exchanged for Bearer Notes. Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination. Bearer Notes may not be exchanged for Registered Notes.

(b) *Transfer of Registered Notes:* One or more Registered Notes may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Registered Notes to be transferred, together with the form of transfer endorsed on such Certificate, (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or such Transfer Agent may require. In the case of a transfer of part only of a holding of Registered Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Trustee, or by the Registrar with the prior written approval of the Trustee. A copy of the current regulations will be made available by the Registrar to any Noteholder upon request.

(c) *Exercise of Options or Partial Redemption in Respect of Registered Notes:* In the case of an exercise of an Issuer's or Noteholders' option in respect of, or a partial redemption of, a holding of Registered Notes represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Registered Notes of the same holding having different terms, separate Certificates shall be issued in respect of those Notes of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent. In the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.

(d) *Delivery of New Certificates:* Each new Certificate to be issued pursuant to Conditions 2(b) or 2(c) shall be available for delivery within three business days of receipt of the form of transfer or Exercise Notice (as defined in Condition 6(e)) or the Change of Control Put Exercise Notice (as defined in Condition 6(f)) or the Non-Registration Event Put Exercise Notice (as defined in Condition 6(g)) and surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer, Exercise Notice, Non-Registration Event Put Exercise Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer, Exercise Notice, Non-Registration Event Put Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(d), "**business day**" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

(e) *Transfers Free of Charge:* Transfers of Notes and Certificates on registration, transfer, exercise of an option or partial redemption shall be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon payment by the relevant Noteholders of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity and/or security and/or pre-funding as the Registrar or the relevant Transfer Agent may require).

(f) *Closed Periods:* No Noteholder may require the transfer of a Registered Note to be registered (i) during the period of seven business days ending on (but excluding) the due date for redemption of, or payment of any Instalment Amount in respect of, that Note, (ii) during the period of seven business days prior to (and including) any date on which Notes are being called for redemption in part by the Issuer at its option, (iii) after any such Note has been called for redemption where not all the Notes are being called for redemption or (iv) during the period of seven business days ending on (and including) any Record Date.

3. Guarantee and Status

(a) *Guarantee:* The Guarantor will, in respect of each Tranche of Notes pursuant to the relevant Deed of Guarantee, unconditionally and irrevocably guaranteed the due and punctual payment of all sums expressed to be payable by the Issuer under the Trust Deed, the Notes, and (if applicable) the Receipts and the Coupons (the "**Guarantee**"). The Guarantee constitutes direct, general, unsubordinated, unconditional and (subject to Condition 4) unsecured obligations of the Guarantor.

(b) *Status of Notes and Guarantee:* The Notes and the Receipts and Coupons relating to them constitute (subject to Condition 4) direct, general, unsubordinated, unconditional and unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Issuer under the Notes and the Receipts and the Coupons relating to them and of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4, at all times rank at least *pari passu* with all other unsecured and unsubordinated indebtedness and monetary obligations of the Issuer and the Guarantor respectively, present and future.

4. Negative Pledge and Other Covenants

(a) Negative Pledge

So long as any Note or Coupon remains outstanding (as defined in the Trust Deed), neither the Issuer nor the Guarantor will, and each will ensure that none of the Subsidiaries of the Issuer or the Guarantor will create, or have outstanding, any mortgage, charge, lien, pledge or other security interest upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness issued outside the PRC, or to secure any guarantee or indemnity in respect of any Relevant Indebtedness issued outside the PRC, without at the same time or prior thereto according to the Notes and the Coupons the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or such other security as either (i) the Trustee shall in its absolute discretion deem not materially less beneficial to the interest of the Noteholders or (ii) shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders.

For the purposes of these Conditions:

(i) "**Person**" includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of state (in each case whether or not being a separate legal entity);

(ii) "**Relevant Indebtedness**" means any indebtedness which is in the form of, or represented or evidenced by, bonds, notes, debentures, or other securities which for the time being are, or are intended to be or capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market (which, for the avoidance of doubt, shall not include bilateral loans, club deal loans or syndicated loans); and

(iii) "**Subsidiary**" means, in respect of any Person, any entity whose financial statements at any time are required by law, or in accordance with generally accepted accounting principles, of the jurisdiction of incorporation of such Person to be fully consolidated with such Person.

(b) Information Rights

So long as any of any Note or Coupon remains outstanding, the Issuer and the Guarantor will send to the Trustee:

(i) as soon as they are available, but in any event within four months after the end of each financial year of the Guarantor (which, unless otherwise notified to the Trustee and to the Noteholders in accordance with Condition 16, shall be 31 December), copies in English of its audited financial statements (on a consolidated basis, prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards ("**IFRS**") and as audited by a member firm of independent accountants of international standing) in respect of such financial year (including consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity and consolidated statement of cash flows) together with the relevant audit report thereto and the notes to such audited financial statements;

(ii) as soon as they are available, but in any event within two months after the end of each first semi-annual period of the Guarantor, copies in English of its unaudited financial statement (on a consolidated basis) in respect of such semi-annual period (including consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity and consolidated statement of cash flows) prepared on a basis consistent with the audited financial statements of the Guarantor; and

(iii) promptly, any notice, statement or circular issued, or which legally or contractually should be issued, to the creditors (or any class of them) of the Issuer generally or the Guarantor generally in their capacity as such.

(c) Restricted Activities

So long as any Note or Coupon remains outstanding, save with the approval of an Extraordinary Resolution of the Noteholders, the Issuer will not, and the Guarantor will ensure that the Issuer will not, conduct any business or any activities other than the issue of the Notes and any other securities that may be issued by the Issuer under the Programme, and the lending of the proceeds thereof to the Guarantor or any of the Guarantor's Subsidiaries and affiliates and any other activities reasonably incidental thereto.

(d) Notification to NDRC

Where the NDRC Circular applies to a tranche of Notes to be issued in accordance with these Conditions and the Trust Deed, the Guarantor undertakes to report or cause to be reported the relevant information in connection with such Notes to the NDRC within the prescribed timeframe by NDRC after the relevant Issue Date and in accordance with the NDRC Circular (the "**NDRC Post Issuance Filing**") and (ii) comply with all applicable PRC laws and regulations in relation to the NDRC Post Issuance Filing.

(e) Undertakings in relation to the Guarantee

(i) For the benefit of each Tranche of Notes to be issued in accordance with these Conditions and the Trust Deed, the Guarantor shall execute a Deed of Guarantee in connection with each Tranche of Notes substantially in the form attached to the Trust Deed on the relevant Issue Date;

(ii) The Guarantor shall:

(A) register or cause to be registered with SAFE the relevant Deed of Guarantee within the prescribed timeframe after its execution in accordance with the Provisions on the Foreign Exchange Administration of Cross-border Guarantees （跨境擔保外匯管理規定）of the PRC (the "**Cross-border Security Registration**");

(B) use its best endeavours to complete the Cross-border Security Registration on or before the relevant Registration Deadline and obtain the relevant SAFE registration certificate relating to such Cross-border Security Registration (or any other document evidencing completion of the Cross-border Security Registration);

(C) deliver to the Trustee on or before the relevant Registration Deadline (x) a certificate in English substantially in the form set out in the Trust Deed which has been stamped with the Guarantor's official stamp or signed by an Authorised Signatory (as defined in the Trust Deed) of the Guarantor confirming the completion of the Cross-border Security Registration, and (y) a copy of the relevant SAFE registration certificate relating to the Cross-border Security Registration (or any other document evidencing completion of the Cross-border Security Registration), certified in English as a true and complete copy of the original by an Authorised Signatory of the Guarantor ((x) and (y) collectively, the "**SAFE Registration Documents**");

(D) comply with all applicable PRC laws and regulations in relation to the Cross-border Security Registration; and

(E) procure the giving of notice to Noteholders in accordance with Condition 16 as soon as practicable after the completion of the Cross-border Security Registration;

(iii) For the benefit of any Tranche of Notes to be further issued in accordance with these Conditions and the Trust Deed which shall be consolidated into, and form a single Series with, an original Series of Notes, the Guarantor shall execute a supplemental Deed of Guarantee for such Notes reflecting, *inter alia*, the increase in principal amount of that Series of Notes on the relevant Issue Date; and

(iv) In the case of any Tranche of Notes to be further issued in accordance with these Conditions and the Trust Deed which shall be consolidated into, and form a single Series with, an existing Series of Notes guaranteed by the Guarantor, the Guarantor shall:

(A) register or cause to be registered with SAFE the relevant supplemental Deed of Guarantee in respect of the applicable Series of Notes within the prescribed timeframe after the execution of such supplemental Deed of Guarantee;

(B) use its best endeavours to complete the Cross-border Security Registration or applicable registration certificate with SAFE on or before the relevant Registration Deadline and obtain the relevant SAFE registration certificate relating to the Cross-border Security Registration (or any other document evidencing completion of the Cross-border Security Registration);

(C) deliver to the Trustee on or before the relevant Registration Deadline (x) a certificate in English substantially in the form set out in the Trust Deed which has been stamped with the Guarantor's official stamp or signed by an Authorised Signatory of the Guarantor confirming the completion of the Cross-border Security Registration or applicable registration certificate, and (y) a copy of the relevant SAFE registration certificate relating to the Cross-border Security Registration (or any other document evidencing completion of the Cross-border Security Registration), certified in English as a true and complete copy of the original by an Authorised Signatory of the Guarantor;

(D) comply with all applicable PRC laws and regulations in relation to the Cross-border Security Registration; and

(E) procure the giving of notice to Noteholders in accordance with Condition 16 as soon as practicable after the completion of the Cross-border Security Registration.

In these Conditions,

"**NDRC**" means the National Development and Reform Commission of the PRC;

"**NDRC Circular**" means the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations（國家發展改革委關於推進企業發行外債備案登記制管理改革的通知） (Fa Gai Wai Zi [2015] No. 2044) promulgated by the NDRC and effective from 14 September 2015 and any implementation rules, regulations, circulars, certificates or notices in connection therewith issued by the NDRC from time to time;

"**PRC**" means the People's Republic of China (which for the purposes of these Conditions excludes the Hong Kong Special Administrative Region of the People's Republic of China, the Macau Special Administrative Region of the People's Republic of China and Taiwan);

"**Programme**" means the U.S.$1,000,000,000 guaranteed medium term note programme established by the Issuer on 17 May 2021 pursuant to which the Issuer may from time to time issue medium term notes guaranteed by the Guarantor;

"**Registration Business Day**" means a day, other than a Saturday, Sunday or public holiday, on which commercial banks are generally open for business in the PRC;

"**Registration Deadline**" means, in respect of each Tranche of Notes, the day falling 150 Registration Business Days after the relevant Issue Date of the Notes; and

"**SAFE**" means the State Administration of Foreign Exchange of the PRC.

5. Interest and other Calculations

(a) *Interest on Fixed Rate Notes:* Each Fixed Rate Note bears interest on its outstanding principal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(h).

(b) *Interest on Floating Rate Notes:*

(i) Interest Payment Dates: Each Floating Rate Note bears interest on its outstanding principal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(h). Such Interest Payment Date(s) is/are either shown hereon as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown hereon, Interest Payment Date shall mean each date which falls the number of months or other period shown hereon as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

(ii) *Business Day Convention:* If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

(iii) *Rate of Interest for Floating Rate Notes:* The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified hereon and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified hereon.

(A) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this sub-paragraph (A), "**ISDA Rate**" for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(x) the Floating Rate Option is as specified hereon;

(y) the Designated Maturity is a period specified hereon; and

(z) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified hereon.

For the purposes of this sub-paragraph (A), "**Floating Rate**", "**Calculation Agent**", "**Floating Rate Option**", "**Designated Maturity**", "**Reset Date**" and "**Swap Transaction**" have the meanings given to those terms in the ISDA Definitions.

(B) Screen Rate Determination for Floating Rate Notes

(x) Where Screen Rate Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be either:

(1) the offered quotation; or

(2) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at either 11.00 a.m. (London time in the case of LIBOR, Brussels time in the case of EURIBOR or Hong Kong time in the case of HIBOR) or 11.15 a.m. (Hong Kong time) or if, at or around that time it is notified that the fixing will be published at 2.30 p.m. (Hong Kong time), then as at 2.30 p.m. (Hong Kong time) (in the case of CNH HIBOR) on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified hereon as being other than LIBOR, EURIBOR, HIBOR or CNH HIBOR, the Rate of Interest in respect of such Notes will be determined as provided hereon.

(y) if the Relevant Screen Page is not available or if, sub-paragraph (x)(1) applies and no such offered quotation appears on the Relevant Screen Page or if sub-paragraph (x)(2) above applies and fewer than three such offered quotations appear on the Relevant Screen Page in each case as at the time specified above, subject as provided below, the Calculation Agent shall request, if the Reference Rate is LIBOR, the principal London office of each of the Reference Banks or, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks or, if the Reference Rate is HIBOR or CNH HIBOR, the principal Hong Kong office of each of the Reference Banks, to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time), or if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) or, if the Reference Rate is HIBOR, at approximately 11.00 a.m. (Hong Kong time) or, if the Reference Rate is CNH HIBOR, at approximately 11.15 a.m. (Hong Kong time) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Accrual Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent; and

(z) if paragraph (y) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) or, if the Reference Rate is HIBOR, at approximately 11.00 a.m. (Hong Kong time) or, if the Reference Rate is CNH HIBOR, at approximately 11.15 a.m. (Hong Kong time) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, or, if the Reference Rate is HIBOR or CNH HIBOR, the Hong Kong inter-bank market, as the case may be, or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time), or, if the Reference Rate is HIBOR or CNH HIBOR, at approximately 11.00 a.m. (Hong Kong time) on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Trustee and the Issuer suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, or, if the Reference Rate is HIBOR or CNH HIBOR, the Hong Kong inter-bank market, as the case may be, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

(iv) *Effect of Benchmark Discontinuation:* If a Benchmark Event occurs in relation to an Original Reference Rate when any Rate of Interest (or any component part thereof) as specified in the relevant Pricing Supplement remains to be determined by reference to such Original Reference Rate, then the Issuer shall use its reasonable endeavours to appoint an Independent Adviser, as soon as reasonably practicable, to determine a Successor Rate, failing which an Alternative Rate (in accordance with Condition 5(b)(iv)(A) and, in either case, an Adjustment Spread if any (in accordance with Condition 5(b)(iv)(B)) and any Benchmark Amendments (in accordance with Condition 5(b)(iv)(C)). An Independent Adviser appointed pursuant to this Condition 5(b)(iv) shall act in good faith and in a commercially reasonable manner as an expert and in consultation with the Issuer. In the absence of bad faith or fraud, the Independent Adviser shall have no liability whatsoever to the Issuer, the Trustee, the Paying Agents, the Noteholders or the Couponholders for any determination made by it, pursuant to this Condition 5(b)(iv).

If (1) the Issuer is unable to appoint an Independent Adviser; or (2) the Independent Adviser appointed by it fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with this Condition 5(b)(iv) prior to the relevant Interest Determination Date, the Rate of Interest applicable to the next succeeding Interest Period shall be equal to the Rate of Interest last determined in relation to the Notes in respect of the immediately preceding Interest Period. If there has not been a first Interest Payment Date, the Rate of Interest shall be the Rate applicable to the first Interest Period. Where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Period shall be substituted in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Period. For the avoidance of doubt, this Condition 5(b)(iv) shall apply to the relevant next succeeding Interest Period only and any subsequent Interest Periods are subject to the subsequent operation of the first paragraph of this Condition 5(b)(iv).

(A) *Successor Rate or Alternative Rate:* If the Independent Adviser determines in its discretion that, (1) there is a Successor Rate, then such Successor Rate shall(subject to adjustment as provided in Condition 5(b)(iv)(B)) subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for the immediately following Interest Period and all following Interest Periods (subject to the subsequent operation of this Condition 5(b)(iv)) in the event of a further Benchmark Event affecting the Successor Rate; or (2) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate shall (subject to adjustment as provided in Condition 5(b)(iv)(B)) subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for the immediately following Interest Period and all following Interest Periods (subject to the subsequent operation of this Condition 5(b)(iv)) in the event of a further Benchmark Event affecting the Alternative Rate.

(B) *Adjustment Spread:* If the Independent Adviser determines in its discretion (1) that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Rate (as the case may be) and (2) the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to the Successor Rate or the Alternative Rate (as the case may be).

(C) *Benchmark Amendments:* If any relevant Successor Rate, Alternative Rate or Adjustment Spread is determined in accordance with this Condition 5(b)(iv) and the Independent Adviser determines (1) that amendments to these Conditions and/or the Trust Deed are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread (such amendments, the "**Benchmark Amendments**") and (2) the terms of the Benchmark Amendments, then the Issuer shall, subject to giving notice thereof in accordance with Condition 5(b)(iv)(D), without any requirement for the consent or approval of the relevant Noteholders, vary these Conditions and/or the Trust Deed to give effect to such Benchmark Amendments with effect from the date specified in such notice.

At the request of the Issuer, but subject to receipt by the Trustee of a certificate signed by an Authorised Signatory of the Issuer pursuant to Condition 5(b)(iv)(D), the Trustee shall (at the direction and expense of the Issuer), without any requirement for the consent or approval of the Noteholders, be obliged to consent to and effect such consequential amendments to the Conditions and/or Trust Deed as may be required to give effect to the Benchmark Amendments (including, *inter alia*, by the execution of a deed supplemental to or amending the Trust Deed), provided that the Trustee shall not be obliged so to concur if in the opinion of the Trustee doing so would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the protective provisions afforded to the Trustee in these Conditions or the Trust Deed (including, for the avoidance of doubt, any supplemental trust deed) in any way.

In connection with any such variation in accordance with this Condition 5(b)(iv)(C), the Issuer shall comply with the rules of any stock exchange on which the Notes are for the time being listed or admitted to trading.

(D) *Notices, etc.:* Any relevant Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments determined under this Condition 5(b)(iv) will be notified promptly by the Issuer to the Trustee, the Calculation Agent, the Principal Paying Agent and, in accordance with Condition 16, the Noteholders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

No later than notifying the Trustee of the same, the Issuer shall deliver to the Trustee a certificate signed by an Authorised Signatory of the Issuer:

(1) confirming (1) that a Benchmark Event has occurred, (2) the relevant Successor Rate or, as the case may be, the relevant Alternative Rate and, (C) where applicable, any relevant Adjustment Spread and/or the specific terms of any relevant Benchmark Amendments, in each case as determined in accordance with the provisions of this Condition 5(b)(iv); and

(2) certifying that the relevant Benchmark Amendments are necessary to ensure the proper operation of such relevant Successor Rate, Alternative Rate and/or Adjustment Spread.

Each of the Trustee, the Calculation Agent and the Paying Agents shall be entitled to rely conclusively on such certificate (without liability to any person) as sufficient evidence thereof. The Successor Rate or Alternative Rate and the Adjustment Spread (if any) and the Benchmark Amendments (if any) specified in such certificate will (in the absence of manifest error or bad faith in the determination of the Successor Rate or Alternative Rate and the Adjustment Spread (if any) and the Benchmark Amendments (if any) and without prejudice to the Trustee's ability to rely on such certificate as aforesaid) be binding on the Issuer, the Trustee, the Calculation Agent, the Principal Paying Agent and the Noteholders.

(E) **Definitions:** As used in this Condition 5(b)(iv):

"**Adjustment Spread**" means either a spread (which may be positive or negative), or the formula or methodology for calculating a spread, in either case, which the Independent Adviser, determines is required to be applied to the relevant Successor Rate or the relevant Alternative Rate (as the case may be) and is the spread, formula or methodology which:

(1) in the case of a Successor Rate, is formally recommended, or is formally provided as an option for parties to adopt, in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body; or;

(2) (if no such recommendation has been made, or in the case of an Alternative Rate) the Independent Adviser determines is customarily applied to the relevant Successor Rate or Alternative Rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement rate for the Reference Rate; or

(3) (if no such determination has been made) the Independent Adviser determines is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be); or

(4) (if the Issuer determines that no such industry standard is recognised or acknowledged) the Independent Adviser determines to be appropriate to

reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to Noteholders as a result of the replacement of the Reference Rate with the Successor Rate or the Alternative Rate (as the case may be);

"**Alternative Rate**" means an alternative benchmark or screen rate which the Independent Adviser determines in accordance with this Condition 5(b)(iv) is customary in market usage in the international debt capital markets for the purposes of determining floating rates of interest (or the relevant component part thereof) in the same Specified Currency as the Notes.

"**Benchmark Event**" means:

(1) the relevant Original Reference Rate has ceased to be published on the Relevant Screen Page as a result of such benchmark ceasing to be calculated or administered; or

(2) a public statement by the administrator of the relevant Original Reference Rate that it has, or will, by a specified future date within the following six months, cease publishing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate); or

(3) a public statement by the supervisor of the administrator of the relevant Original Reference Rate, that the Original Reference Rate has been or will, by a specified future date within the following six months, be permanently or indefinitely discontinued; or

(4) a public statement by the supervisor of the administrator of the relevant Original Reference Rate as a consequence of which the Original Reference Rate will be prohibited from being used or that its use will be subject to restrictions or adverse consequences, either generally, or in respect of the Notes, in each case within the following six months; or

(5) the making of a public statement by the supervisor of the administrator of the relevant Original Reference Rate, such Reference Rate is or will, by a specified future date with the following six months, be no longer representative of its relevant underlying market; or

(6) it has, or will by a specified future date within the following six months, become unlawful for the Principal Paying Agent, the Calculation Agent, the Issuer or other party to calculate any payments due to be made to any Noteholder using the relevant Original Reference Rate;

"**Independent Adviser**" means an independent financial institution of international repute or an independent financial adviser with appropriate expertise in the international capital markets, selected and appointed by the Issuer at its own expense under Condition 5(b)(iv);

"**Original Reference Rate**" means the originally-specified benchmark or screen rate (as applicable) used to determine the Rate of Interest (or any component part thereof) on the Notes;

"**Relevant Nominating Body**" means, in respect of a benchmark or screen rate (as applicable): (1) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or (2) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (A) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, (B) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable), (C) a group of the aforementioned central banks or other supervisory authorities or (D) the Financial Stability Board or any part thereof; and

"**Successor Rate**" means a successor to or replacement of the Original Reference Rate which is formally recommended by any Relevant Nominating Body.

(c) *Zero Coupon Notes:* Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 6(b)(i)).

(d) *Dual Currency Notes:* In the case of Dual Currency Notes, if the rate or amount of interest falls to be determined by reference to a Rate of Exchange or a method of calculating Rate of Exchange, the rate or amount of interest payable shall be determined in the manner specified hereon.

(e) *Partly Paid Notes:* In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up principal amount of such Notes and otherwise as specified hereon.

(f) *Accrual of Interest:* Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (both before and after judgement) at the Rate of Interest in the manner provided in this Condition 5 to the Relevant Date (as defined in Condition 8).

(g) Margin, Maximum/Minimum Rates of Interest, Instalment Amounts and Redemption Amounts and Rounding:

(i) If any Margin is specified hereon (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with Condition 5(b) above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin, subject always to the next paragraph.

(ii) If any Maximum Rate of Interest or Minimum Rate of Interest, Instalment Amount or Redemption Amount is specified hereon, then any Rate of Interest, Instalment Amount or Redemption Amount shall be subject to such maximum or minimum, as the case may be.

(iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 of a percentage point being rounded up), (y) all figures shall be rounded to seven significant figures (provided that if the eighth significant figure is a 5 or greater, the seventh significant shall be rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with half a unit being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes "**unit**" means the lowest amount of such currency that is available as legal tender in the countries of such currency.

(h) *Calculations:* The amount of interest payable per Calculation Amount in respect of any Note for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount specified hereon, and the Day Count Fraction for such Interest Accrual Period, unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Note for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.

(i) Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts and Instalment Amounts: The Calculation Agent shall, as soon as practicable on each Interest Determination Date, or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or Instalment Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or any Instalment Amount to be notified to the Trustee, the Issuer, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than (A) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (B) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 5(b)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made with the consent of the Trustee by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 10, the accrued interest and the Rate of

Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made unless the Trustee otherwise requires. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties and all Noteholders and Couponholders.

(j) *Failure by the Calculation Agent to Make Determination or Calculation:* If the Calculation Agent does not at any time for any reason determine or calculate the Rate of Interest for an Interest Accrual Period or any Interest Amount, Instalment Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, the Issuer shall appoint another agent to do so and any such determination or calculation made by such other agent shall be deemed to have been made by the Calculation Agent. In doing so, such additional agent appointed by the Issuer shall apply the foregoing provisions of this Condition 5, with any necessary consequential amendments, to the extent that, in its opinion, it can do so, and, in all other respects it shall do so in such manner as it shall deem fair and reasonable in all the circumstances.

(k) *Definitions:* In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"**Business Day**" means a business day in the location of the specified office of the Issuing and Paying Agent if the Notes are cleared through Euroclear and/or Clearstream or any other clearing system other than the CMU or the location of the specified office of the CMU Lodging and Paying Agent if the Notes are cleared through CMU and:

(i) in the case of Notes denominated in a currency other than euro or Renminbi, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency; and/or

(ii) in the case of Notes denominated in euro, a day on which the TARGET System is operating (a "**TARGET Business Day**"); and/or

(iii) in the case of Notes denominated in Renminbi, a day (other than a Saturday, Sunday or public holiday) on which commercial banks in Hong Kong are generally open for business and settlement of Renminbi payments in Hong Kong; and/or

(iv) in the case of Notes denominated in a currency and/or one or more Business Centres a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres.

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period or an Interest Accrual Period, the "**Calculation Period**"):

(i) if "**Actual/Actual**" or "**Actual/Actual – ISDA**" is specified hereon, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365)

(ii) if "**Actual/365 (Fixed)**" is specified hereon, the actual number of days in the Calculation Period divided by 365

(iii) if "**Actual/365 (Sterling)**" is specified hereon, the actual number of days in the Calculation Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366

(iv) if "**Actual/360**" is specified hereon, the actual number of days in the Calculation Period divided by 360

(v) if "**30/360**", "**360/360**" or "**Bond Basis**" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \text{ x } (Y2-Y1)] + [30 \text{ x } (M2-M1)] + (D2-D1)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30.

(vi) if "**30E/360**" or "**Eurobond Basis**" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \text{ x } (Y2-Y1)] + [30 \text{ x } (M2-M1)] + (D2-D1)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D2 will be 30.

(vii) if "**30E/360 (ISDA)**" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y2-Y1)] + [30 \times (M2-M1)] + (D2-D1)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D2 will be 30.

(i) if "**Actual/Actual-ICMA**" is specified hereon,

(A) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and

(B) if the Calculation Period is longer than one Determination Period, the sum of:

(x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and

(y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year

where:

"**Determination Period**" means the period from and including a Determination Date in any year to but excluding the next Determination Date and

"**Determination Date**" means the date(s) specified as such hereon or, if none is so specified, the Interest Payment Date(s).

"**Euro-zone**" means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended.

"**Interest Accrual Period**" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date.

"**Interest Amount**" means:

(i) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes, and unless otherwise specified hereon, shall mean the Fixed Coupon Amount or Broken Amount specified hereon as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part; and

(ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period.

"**Interest Commencement Date**" means the Issue Date or such other date as may be specified hereon.

"**Interest Determination Date**" means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such hereon or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is Sterling or Hong Kong dollars or Renminbi other than where the Specified Currency is Renminbi and the Reference Rate is CNH HIBOR or (ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor euro nor Hong Kong dollars nor Renminbi or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro or (iv) the day falling two Business Days in Hong Kong prior to the first day of such Interest Accrual Period if the Specified Currency is Renminbi and the Reference Rate is CNH HIBOR.

"**Interest Period**" means the period beginning on and including the Interest Commencement Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date.

"**Interest Period Date**" means each Interest Payment Date unless otherwise specified hereon.

"**ISDA Definitions**" means the 2006 ISDA Definitions, as amended, supplemented and published by the International Swaps and Derivatives Association, Inc., unless otherwise specified hereon.

"**Rate of Interest**" means the rate of interest payable from time to time in respect of the Notes and that is either specified or calculated in accordance with the provisions hereon.

"**Reference Banks**" means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market and, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market and, in the case of a determination of HIBOR, the principal Hong Kong office of four major banks in the Hong Kong inter-bank market, and, in the case of a determination of CNH HIBOR, the principal Hong Kong office of four major banks dealing in Chinese Yuan in the Hong Kong inter-bank market, in each case selected by the Issuer or as specified hereon.

"**Reference Rate**" means the rate specified as such hereon.

"**Relevant Screen Page**" means such page, section, caption, column or other part of a particular information service as may be specified hereon.

"**Specified Currency**" means the currency specified as such hereon or, if none is specified, the currency in which the Notes are denominated.

"**TARGET System**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto.

(l) *Calculation Agent:* The Issuer shall procure that there shall at all times be one or more Calculation Agents if provision is made for them hereon and for so long as any Note is outstanding (as defined in the Trust Deed). Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Accrual

Period or to calculate any Interest Amount, Instalment Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall (with prior written notification to the Trustee) appoint a leading bank or financial institution of international repute engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

6. Redemption, Purchase and Options

(a) *Redemption by Instalments and Final Redemption:*

(i) Unless previously redeemed or purchased and cancelled as provided in this Condition 6, each Note that provides for Instalment Dates and Instalment Amounts shall be partially redeemed on each Instalment Date at the related Instalment Amount specified hereon. The outstanding principal amount of each such Note shall be reduced by the Instalment Amount (or, if such Instalment Amount is calculated by reference to a proportion of the principal amount of such Note, such proportion) for all purposes with effect from the related Instalment Date, unless payment of the Instalment Amount is improperly withheld or refused, in which case, such amount shall remain outstanding until the Relevant Date relating to such Instalment Amount.

(ii) Unless previously redeemed, purchased and cancelled as provided below, each Note shall be finally redeemed on the Maturity Date specified hereon at its Final Redemption Amount (which, unless otherwise provided hereon, is its principal amount) or, in the case of a Note falling within paragraph (i) above, its final Instalment Amount.

(b) *Early Redemption:*

(i) *Zero* Coupon Notes:

(A) The Early Redemption Amount payable in respect of any Zero Coupon Note, the Early Redemption Amount of which is not linked to a formula, upon redemption of such Note pursuant to Condition 6(c), Condition 6(d) or Condition 6(e) or upon it becoming due and payable as provided in Condition 10 shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified hereon.

(B) Subject to the provisions of sub-paragraph (C) below of this Condition 6(b), the Amortised Face Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown hereon, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.

(C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 6(c), Condition 6(d) or Condition 6(e) or upon it becoming due and payable as provided in Condition 10 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (B) above of this Condition 6(b), except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (both before and after judgement) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 5(c).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown hereon.

(ii) *Other Notes:* The Early Redemption Amount payable in respect of any Note (other than Notes described in (i) above), upon redemption of such *Note* pursuant to Condition 6(c), Condition 6(d) or Condition 6(e) or upon it becoming due and payable as provided in Condition 10, shall be the Final Redemption Amount unless otherwise specified hereon.

(c) *Redemption for Taxation Reasons:* The Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date (if this Note is a Floating Rate Note) or at any time (if this Note is not a Floating Rate Note), on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable) at their Early Redemption Amount (as described in Condition 6(b) above) (together with interest accrued to the date fixed for redemption), if (i) the Issuer satisfies the Trustee immediately before the giving of such notice that it has or will become obliged to pay the Additional Tax Amounts as described under Condition 8 as a result of any change in, or amendment to, the laws or regulations of Hong Kong (in the case of a payment by the Issuer) or the PRC (in the case of a payment by the Issuer or the Guarantor) or any political subdivision or, in each case, any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes, and (ii) such obligation cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the Guarantor, as the case may be) would be obliged to pay such Additional Tax Amounts if a payment in respect of the Notes (or the Guarantee, as the case may be) then due. Prior to the publication of any notice of redemption pursuant to this Condition 6(c), the Issuer (or the Guarantor, as the case may be) shall deliver to the Trustee a certificate signed by a director of the Issuer (or the Guarantor, as the case may be) stating that the obligation referred to in (i) above of this Condition 6(c) cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it and the Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the condition precedent set out in (ii) above of this Condition 6(c), in which event it shall be conclusive and binding on Noteholders and Couponholders.

(d) *Redemption at the Option of the Issuer:* If Call Option is specified hereon, the Issuer may, on giving not less than 30 nor more than 60 days' irrevocable notice to the

Noteholders (or such other notice period as may be specified hereon) redeem all or, if so provided, some of the Notes on any Optional Redemption Date. Any such redemption of Notes shall be at their Optional Redemption Amount specified hereon (which may be the Early Redemption Amount (as described in Condition 6(b) above)), together with interest accrued to the date fixed for redemption. Any such redemption or exercise must relate to Notes of a principal amount at least equal to the Minimum Redemption Amount to be redeemed specified hereon and no greater than the Maximum Redemption Amount to be redeemed specified hereon.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition.

In the case of a partial redemption the notice to Noteholders shall also contain the certificate numbers of the Bearer Notes, or in the case of Registered Notes shall specify the principal amount of Registered Notes drawn and the holder(s) of such Registered Notes, to be redeemed, which shall have been drawn in such place and in such manner as may be fair and reasonable in the circumstances, taking account of prevailing market practices, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

(e) *Redemption at the Option of Noteholders:* If Put Option is specified hereon, the Issuer shall, at the option of the holder of any such Note, upon the holder of such Note giving not less than 30 nor more than 60 days' notice to the Issuer (or such other notice period as may be specified hereon) redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount specified hereon (which may be the Early Redemption Amount (as described in Condition 6(b) above)), together with interest accrued to the date fixed for redemption.

To exercise such option the holder must deposit (in the case of Bearer Notes) such Note (together with all unmatured Receipts and Coupons and unexchanged Talons) with any Paying Agent or (in the case of Registered Notes) the Certificate representing such Note(s) with the Registrar or any Transfer Agent at its specified office (which in the case of Bearer Notes must be outside the United States), together with a duly completed option exercise notice (an "Exercise Notice") in the form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable) within the notice period. No Note or Certificate so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer. In the case of Bearer Notes issued in accordance with U.S. Treasury Regulation §1.163-5(c)(2)(i)(D) or any successor rules in substantially the same form for purposes of Section 4701 of the U.S. Internal Revenue Code (the "**TEFRA D**" rules), while the Bearer Notes are represented by a temporary global note (exchangeable for interests in a permanent global note or definitive notes), the exercise of the option shall be made only to the extent that certification of non-U.S. beneficial ownership were received with respect to the exercising holder.

(f) *Redemption for Change of Control:* At any time following the occurrence of a Change of Control, the holder of any Note will have the right, at such holder's option, to require the Issuer to redeem all, but not some only, of such holder's Notes on the Change of Control Put Date at 101 per cent. of their principal amount, together with interest accrued to the Change of Control Put Date.

To exercise such right, the holder of the relevant Note must deposit (in the case of Bearer Notes) such Note (together with all unmatured Receipts and Coupons and unexchanged Talons) with any Paying Agent or (in the case of Registered Notes) the Certificate representing such Note(s) with the Registrar or any Transfer Agent at its specified office (which in the case of Bearer Notes must be outside the United States), together with a duly completed notice of redemption, in the form obtainable for the time being current, from any Paying Agent, the Registrar or any Transfer Agent (as applicable) (a "**Change of Control Put Exercise Notice**") by not later than 30 days following a Change of Control, or, if later, 30 days following the date upon which notice thereof is given to Noteholders by the Issuer in accordance with Condition 16. The "**Change of Control Put Date**" shall be the fourteenth day after the expiry of such period of 30 days as referred to above.

A Change of Control Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem the Notes which are the subject of the Change of Control Put Exercise Notice delivered as aforesaid on the Change of Control Put Date.

The Issuer shall give notice to Noteholders (in accordance with Condition 16) and the Trustee by not later than 14 days following the first day on which it becomes aware of the occurrence of a Change of Control, which notice shall specify the procedure for exercise by holders of their rights to require redemption of the Notes pursuant to this Condition 6(f).

The Trustee shall have no obligation to monitor whether a Change of Control has occurred and shall not be liable to any person for not doing so.

For the purposes of this Condition 6(f):

a "**Change of Control**" occurs when:

(i) the Guarantor does not or ceases to, at any time, own or control, whether directly or indirectly, 100 per cent. of the issued share capital of the Issuer;

(ii) the Guarantor consolidates with or merges into or sells or transfers all or substantially all of the Guarantor's assets to any person or persons, acting together, other than any of the Guarantor or any of its Subsidiaries; or

(iii) the Controlling Person (as defined below) and any other person Controlled by the Controlling Person, together cease to own or control, whether directly or indirectly, the issued share capital of the Guarantor;

"**Control**" means (i) the ownership, acquisition or control of more than 50 per cent. of the voting rights of the issued share capital of such Person or (ii) the right to appoint and/or remove all or the majority of the members of the Guarantor's board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise or (iii) the possession, directly or indirectly, of the power to direct or cause the direction of the management policies of a person and the terms "**controlling**" and "**controlled**" have meanings correlative to the foregoing;

"**Controlling Person**" means Haitong Securities Co., Ltd. or any successor entity; and

"**PRC**" means the People's Republic of China (which for the purposes of these Conditions excludes the Hong Kong Special Administrative Region of the People's Republic of China, the Macau Special Administrative Region of the People's Republic of China and Taiwan).

(g) *Redemption for Non-Registration:* Upon the occurrence of a Non-Registration Event, the holder of any Note will have the right, at such Noteholder's option, to require the Issuer to redeem all but not some only of that Noteholder's Notes on the Non-Registration Event Redemption Date at 100 per cent. of the principal amount, together with interest accrued to such Non-Registration Event Redemption Date.

To exercise such right, the holder of the relevant Note must deposit (in the case of Bearer Notes) such Note (together with all unmatured Receipts and (in the case of Fixed Rate Notes) Coupons and unexchanged Talons) with any Paying Agent or (in the case of Registered Notes) the Certificate representing such Note(s) with the Registrar or any Transfer Agent at its specified office (which in the case of Bearer Notes must be outside the United States), together with a duly completed notice of redemption, in the form obtainable for the time being current, obtainable from the specified office of any Paying Agent, the Registrar or any Transfer Agent (as applicable) (the "**Non-Registration Event Put Exercise Notice**") by not later than 30 days following the occurrence of a Non-Registration Event, or, if later, 30 days following the date upon which notice thereof is given to Noteholders by the Issuer in accordance with Condition 16.

The "**Non-Registration Event Redemption Date**" shall be the fifth day after the expiry of such period of 30 days as referred to above.

A Non-Registration Event Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem the Notes which are the subject of the Non-Registration Event Put Exercise Notices delivered as aforesaid on the Non– Registration Event Redemption Date.

The Issuer, failing whom the Guarantor, shall give notice to Noteholders in accordance with Condition 16 and to the Trustee by not later than five days following the first day on which it becomes aware of the occurrence of a Non-Registration Event, which notice shall specify the procedure for exercise by holders of their rights to require redemption of the Notes pursuant to this Condition 6(g).

In this Condition 6(g):

a "**Non-Registration Event**" occurs when, in respect of each Tranche of Notes, the Registration Conditions have not been satisfied on or prior to the relevant Registration Deadline; and

"**Registration Conditions**" means, in respect of each Tranche of Notes, the receipt by the Trustee of the SAFE Registration Documents.

(h) *Partly Paid Notes:* Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the provisions specified hereon.

(i) *Purchases:* Each of the Issuer, the Guarantor and their respective Subsidiaries may at any time purchase Notes (provided that all unmatured Receipts and Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price.

(j) *Cancellation:* All Notes purchased by or on behalf of the Issuer, the Guarantor or any of their respective Subsidiaries may be surrendered for cancellation, in the case of Bearer

Notes, by surrendering each such Note together with all unmatured Receipts and Coupons and all unexchanged Talons to the Issuing and Paying Agent and, in the case of Registered Notes, by surrendering the Certificate representing such Notes to the Registrar and, in each case, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all unmatured Receipts and Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer and the Guarantor in respect of any such Notes shall be discharged.

7. Payments and Talons

(a) *Bearer Notes:* Payments of principal and interest in respect of Bearer Notes shall, subject as mentioned below, be made against presentation and surrender of the relevant Receipts (in the case of payments of Instalment Amounts other than on the due date for redemption and provided that the Receipt is presented for payment together with its relative Note), Notes (in the case of all other payments of principal and, in the case of interest, as specified in Condition 7(f)(vi)) or Coupons (in the case of interest, save as specified in Condition 7(f)(ii)), as the case may be:

(i) in the case of Notes denominated in a currency other than Renminbi, at the specified office of any Paying Agent outside the United States by a cheque payable in the relevant currency drawn on, or, at the option of the holder, by transfer to an account denominated in such currency with, a Bank; and

(ii) in the case of Notes denominated in Renminbi, by transfer to a Renminbi account maintained by or on behalf of the Noteholder with a Bank in Hong Kong.

In this Condition 7(a) and in Condition 7(b), "**Bank**" means a bank in the principal financial centre for such currency or, in the case of euro, in a city in which banks have access to the TARGET System.

(b) *Registered Notes:*

(i) Payments of principal (which for the purposes of this Condition 7(b) shall include final Instalment Amounts but not other Instalment Amounts) in respect of Registered Notes shall be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in Condition 7(b)(ii).

(ii) Interest (which for the purpose of this Condition 7(b) shall include all Instalment Amounts other than final Instalment Amounts) on Registered Notes shall be paid to the person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof or in the case of Renminbi or otherwise specified, on the fifth day before the due date for payment thereof (the "**Record Date**").

(iii) Payments of interest on each Registered Note shall be made:

(A) in the case of Notes denominated in a currency other than Renminbi, in the relevant currency by cheque drawn on a Bank and mailed to the holder (or to the first named of joint holders) of such Note at its address appearing in the Register. Upon application by the holder to the specified office of the

Registrar or any Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a Bank; and

(B) in the case of Notes denominated in Renminbi, by transfer to the registered account of the Noteholder.

So long as the Notes are represented by the Global Certificate, each payment in respect of the Global Certificate will be made to, or to the order of, the person shown as the holder of the Notes in the Register at the close of business (of the relevant clearing system) on the Clearing System Business Day immediately prior to the due date for such payment, where "Clearing System Business Day" means a weekday (Monday to Friday, inclusive) except 25 December and 1 January. Payment of interest or principal by the CMU Lodging and Paying Agent to the person for whose account a relevant interest in the Global Certificate is credited as being held by the CMU Service at the relevant time as notified to the CMU Lodging and Paying Agent by the CMU Service in a relevant CMU Instrument Position Report (as defined in the relevant CMU rules) or any other relevant notification by the CMU Service shall discharge the obligations of the Issuer in respect of that payment.

In this Condition 7(b), "**registered account**" means the Renminbi account maintained by or on behalf of the Noteholder with a bank in Hong Kong, details of which appear on the Register at the close of business on the fifth business day before the due date for payment.

(c) *Payments in the United States:* Notwithstanding the foregoing, if any Bearer Notes are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.

(d) *Payments subject to Fiscal Laws:* Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 8) any law implementing an intergovernmental approach thereto.

(e) *Appointment of Agents:* The Issuing and Paying Agent, the CMU Lodging and Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent initially appointed by the Issuer and the Guarantor and their respective specified offices are listed below. The Issuing and Paying Agent, the CMU Lodging and Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent act solely as agents of the Issuer and the Guarantor and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer and the Guarantor reserve the right at any time with the prior written approval of the Trustee to vary or terminate the appointment of the Issuing and Paying Agent, the CMU Lodging and Paying Agent, any other Paying Agent, the Registrar, any Transfer Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents or Transfer Agents, provided that the Issuer shall at all times maintain (i) an Issuing and Paying Agent, (ii) a Registrar in relation to Registered Notes, (iii) a Transfer Agent in relation to Registered Notes, (iv) a CMU Lodging and Paying Agent in relation to Notes accepted for clearance through the CMU, (v) one or more Calculation Agent(s) where the Conditions so require and (vi) such other agents as may be required by any other stock exchange on which the Notes may be listed, in each case as approved in writing by the Trustee.

In addition, the Issuer and the Guarantor shall forthwith appoint a Paying Agent in New York City in respect of any Bearer Notes denominated in U.S. dollars in the circumstances described in Condition 7(c).

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders.

(f) *Unmatured Coupons and Receipts and unexchanged Talons:*

(i) Upon the due date for redemption of Bearer Notes which comprise Fixed Rate Notes (other than Dual Currency Notes), such Notes should be surrendered for payment together with all unmatured Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 9).

(ii) Upon the due date for redemption of any Bearer Note comprising a Floating Rate Note or Dual Currency Note, unmatured Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.

(iii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.

(iv) Upon the due date for redemption of any Bearer Note that is redeemable in instalments, all Receipts relating to such Note having an Instalment Date falling on or after such due date (whether or not attached) shall become void and no payment shall be made in respect of them.

(v) Where any Bearer Note that provides that the relative unmatured Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmatured Coupons, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.

(vi) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note or Certificate representing it, as the case may be. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note or Certificate representing it, as the case may be.

(g) *Talons:* On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Issuing and Paying Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 9).

(h) *Non-Business Days:* If any date for payment in respect of any Note, Receipt or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this Condition 7(h), "**business day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the relevant place of presentation, in such jurisdictions as shall be specified as "**Financial Centres**" hereon and:

(i) (in the case of a payment in a currency other than euro and Renminbi) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency; or

(ii) (in the case of a payment in euro) which is a TARGET Business Day; or

(iii) (in the case of a payment in Renminbi) on which banks and foreign exchange markets are open for business and settlement of Renminbi payments in Hong Kong.

8. Taxation

All payments of principal and interest by or on behalf of the Issuer or the Guarantor in respect of the Notes, the Receipts and the Coupons shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Hong Kong, the PRC or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law.

Where such withholding or deduction is made by the Issuer, or as the case may be, the Guarantor, by or within the PRC at the rate applicable on the date of the relevant Pricing Supplement or if there is more than one tranche of Notes, at the rate applicable on the date of the Pricing Supplement for the first tranche of Notes in the Series (the "**Applicable Rate**"), the Issuer, or as the case may be, the Guarantor shall increase the amounts paid by it to the extent required, so that the net amount received by the Noteholders and Couponholders equals the amounts which would otherwise have been receivable by them had no such withholding or deduction been required.

In the event that any such PRC deduction or withholding in excess of the Applicable Rate is required, or any Hong Kong deduction or withholding is required, the Issuer, or as the case may be, the Guarantor shall pay such additional amounts ("**Additional Tax Amounts**") as will result in receipt by the Noteholders and Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no Additional Tax Amounts shall be payable in respect of any Note, Receipt or Coupon:

(a) *Other connection:* to, or to a third party on behalf of, a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note, Receipt or Coupon by reason of his having some connection with Hong Kong other than the mere holding of the Note, Receipt or Coupon or where the withholding or deduction could be avoided by the holder making a declaration or non-residence or other similar claim for exemption to the appropriate authority; or

(b) *Presentation more than 30 days after the Relevant Date:* presented (or in respect of which the relevant Note or Coupon or Receipt is presented) for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such Additional Tax Amounts on presenting it for payment on the thirtieth day.

As used in these Conditions, "**Relevant Date**" in respect of any Note, Receipt or Coupon means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further presentation of the Note (or relative Certificate), Receipt or Coupon being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation.

References in these Conditions to (i) "**principal**" shall be deemed to include any premium payable in respect of the Notes, all Instalment Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 6 or any amendment or supplement to it, (ii) "**interest**" shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 5 or any amendment or supplement to it and (iii) "**principal**" and/or "**interest**" shall be deemed to include all amounts payable under the second paragraph of this Condition 8 and any Additional Tax Amounts that may be payable under this Condition 8 or any undertaking given in addition to or in substitution for it under the Trust Deed.

9. Prescription

Claims against the Issuer and/or the Guarantor for payment in respect of the Notes, Receipts and Coupons (which, for this purpose, shall not include Talons) shall be prescribed and become void unless made within 10 years (in the case of principal or premium) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

10. Events of Default

If any of the following events ("**Events of Default**") occurs, the Trustee at its discretion may, and if so requested by holders of at least 25 per cent. in principal amount of the Notes of the relevant Series then outstanding or if so directed by an Extraordinary Resolution shall (provided that the Trustee shall have been indemnified and/or secured and/or pre-funded to its satisfaction), give notice to the Issuer that the Notes are, and they shall immediately become, due and payable at their Early Redemption Amount together (if applicable) with accrued interest:

(a) *Non-Payment:* the Issuer and the Guarantor each fails to pay the principal of, or any premium or interest on, any of the Notes when due and, in the case of interest, such failure continues for a period of seven days; or

(b) *Breach of Other Obligations:* the Issuer or the Guarantor does not perform or comply with any one or more of its other obligations in the Notes, the Trust Deed or the relevant Deed of Guarantee (other than those obligations the breach of which would give rise to a redemption under Condition 6(f) or Condition 6(g)) or under the Guarantee which default is incapable of remedy or, if in the opinion of the Trustee capable of remedy, is not remedied within 30 days after written notice of such default shall have been given to the Issuer or the Guarantor by the Trustee; or

(c) *Cross-Acceleration:* (i) any other present or future indebtedness of the Issuer or the Guarantor or any of their respective Subsidiaries for or in respect of moneys borrowed or raised becomes due and payable prior to its stated maturity otherwise than at the option of the Issuer or the Guarantor or the relevant Subsidiary or (provided that no event of default, howsoever described, has occurred) any Person entitled to such indebtedness, or (ii) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, or (iii) the Issuer or the Guarantor or any of their respective Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for any indebtedness, any moneys borrowed or raised, provided that (x) the aggregate amount of the relevant indebtedness, monies borrowed or raised, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 10(c) have occurred, individually or in the aggregate exceeds U.S.$30,000,000 or its equivalent and (y) such indebtedness (other than any such indebtedness of the Issuer) has an original maturity of more than 365 days; or

(d) *Unsatisfied Judgement:* one or more judgement(s) or order(s) for the payment of an aggregate amount in excess of U.S.$25,000,000 (or its equivalent) is rendered against the Issuer or the Guarantor or any of their respective Material Subsidiaries and continue(s) unsatisfied and unstayed for a period of 60 days after the date(s) thereof or, if later, the date therein specified for payment; or

(e) *Security Enforced:* an encumbrancer takes possession or an administrative or other receiver or an administrator or other similar officer is appointed of the whole or any material part of the property, assets or revenues of the Issuer or the Guarantor or any of their respective Material Subsidiaries and such appointment is not discharged within 60 days; or

(f) *Insolvency:* the Issuer or the Guarantor or any of their respective Material Subsidiaries, is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts as and when such debts fall due, stops, suspends or threatens to stop or suspend payment of all or a material part of its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any material part of the debts of the Issuer or the Guarantor or any of their respective Material Subsidiaries; or

(g) *Winding-up:* an order of any court of competent jurisdiction is made or an effective resolution passed for the winding-up or dissolution of the Issuer or the Guarantor or any of their respective Material Subsidiaries (except for a members' voluntary solvent winding-up of any of their respective Material Subsidiaries), the Issuer or the Guarantor or any of the Guarantor's Material Subsidiaries ceases or threatens to cease to carry on all or substantially all of its business or operations, except (i) for the purpose of and followed by a solvent winding-up, dissolution, reconstruction, amalgamation, reorganisation, merger or consolidation (A) on terms approved by an Extraordinary Resolution of the Noteholders, or (B) in the case of any of the Material Subsidiaries of the Issuer or the Guarantor, whereby the undertaking and assets of such Material Subsidiary are transferred to or continue to be otherwise vested in the Issuer or the Guarantor (as the case may be) and/or their respective Subsidiaries and (ii) for the disposal of any assets on an arm's length basis to any third party where the assets (whether in cash or otherwise) resulting from such disposal are vested in the Issuer or the Guarantor and/or their respective Subsidiaries; or

(h) *Nationalisation:* any step is taken by any person with a view to the seizure, compulsory acquisition or expropriation of all or a substantial part of the assets of the Issuer or the Guarantor or any of their respective Material Subsidiaries; provided that the value of the assets subject to the seizure, compulsory acquisition or expropriation, individually or in the aggregate, exceeds 50 per cent. of the total assets of the Group; or

(i) *Authorisation and Consents:* any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer and the Guarantor lawfully to enter into, exercise their respective rights and perform and comply with their respective obligations under the Notes, the Trust Deed and the relevant Deed of Guarantee (other than with regard to the performance of and compliance with the obligations thereunder), (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Notes, the Trust Deed and the relevant Deed of Guarantee admissible in evidence in the courts of England is not taken, fulfilled or done; or

(j) *Illegality:* it is or will become unlawful for the Issuer or the Guarantor to perform or comply with any of their respective obligations under any of the Notes, the Trust Deed or the relevant Deed of Guarantee; or

(k) *Guarantee:* the relevant Guarantee is not (or is claimed by the Guarantor not to be) in full force and effect; or

(l) *Analogous Events:* any event occurs which under the laws of Hong Kong or the PRC has an analogous effect to any of the events referred to in any of Conditions 10(d), 10(e), 10(f) and 10(g).

In this Condition 10:

(i) "**Material Subsidiary**" means any Subsidiary of the Issuer or the Guarantor, whose total amount of gross assets or revenue (excluding intra-group items) represents 5 per cent. or more of the gross assets or revenue of the Group calculated on a consolidated basis, as determined by reference to the latest audited consolidated financial statements of that Subsidiary (consolidated in the case of a Subsidiary which itself has Subsidiaries) and the latest audited consolidated financial statements of the Group, or determined by reference to the most recent compliance certificate delivered by the Issuer or the Guarantor certifying its Material Subsidiaries; and

(ii) "**Group**" means the Guarantor and its Subsidiaries.

A certificate signed by any director of the Issuer or the Guarantor confirming that its Subsidiary is or is not, or was or was not, a Material Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties.

11. Meetings of Noteholders, Modification, Waiver and Substitution

(a) *Meetings of Noteholders:* The Trust Deed contains provisions for convening meetings of Noteholders (including by way of teleconference or videoconference call) to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Trust Deed) of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by the Trustee, the Issuer or the Guarantor and shall be convened by the Trustee if it receives a written request from Noteholders holding not less than 10 per cent. in aggregate principal amount of the Notes of the relevant Series then outstanding and if the Trustee is indemnified and/or secured and/or pre-funded to its satisfaction against all costs and expenses. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing more than 50 per cent. in aggregate principal amount of the Notes of the relevant Series then outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the principal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to amend the dates of maturity or redemption of the Notes, any Instalment Date or any date for payment of interest or Interest Amounts on the Notes, (ii) to reduce or cancel the principal amount of, or any Instalment Amount of, or any premium payable on redemption of, the Notes, (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes, (iv) if a Minimum Rate of Interest and/or a Maximum Rate of Interest, Instalment Amount or Early Redemption Amount is shown hereon, to reduce any such Minimum Rate of Interest and/or Maximum Rate of Interest, (v) to vary any method of, or basis for, calculating the Final Redemption Amount, the Early Redemption Amount or the Optional Redemption Amount, including the method of calculating the Amortised Face Amount, (vi) to vary the currency or currencies of payment or denomination of the Notes, or (vii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass the Extraordinary Resolution, or (viii) to modify or cancel the relevant Guarantee or the relevant Deed of Guarantee (other in accordance with Condition 11(b)), in which case the necessary quorum shall be two or more persons holding or representing not less than 75 per cent., or at any adjourned meeting not less than 25 per cent., in aggregate principal amount of the Notes of the relevant Series then outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

The Trust Deed provides that (i) a resolution in writing signed by or on behalf of the holders of not less than 90 per cent. in aggregate principal amount of the Notes of the relevant Series then outstanding (a "**Written Resolution**") or (ii) consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Trustee) by or on behalf of the holders of not less than three-quarters in principal amount of the Notes of the relevant Series then outstanding (an "**Electronic Consent**") shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders of the relevant Series duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders. A Written Resolution and/or Electronic Consent will be binding on all Noteholders whether or not they participated in such Written Resolution and/or Electronic Consent, and all Receiptholders and Couponholders as the case may be.

These Conditions may be amended, modified or varied in relation to any Series of Notes by the terms of the relevant Pricing Supplement in relation to such Series.

(b) *Modification of the Trust Deed or the relevant Deed of Guarantee:* The Trustee may (but shall not be obliged to) agree, without the consent of the Noteholders or Couponholders, to (i) any modification of any of the provisions of the Trust Deed, the Agency Agreement or the relevant Deed of Guarantee that is in the opinion of the Trustee of a formal, minor or technical nature or is made to correct a manifest error or to comply with any mandatory provisions of law, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed, the Agency Agreement or the relevant Deed of Guarantee that is in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders. Any such modification, authorisation or waiver shall be binding on the Noteholders and the Couponholders and, unless the Trustee otherwise agrees, such modification, authorisation or waiver shall be notified to the Noteholders as soon as practicable.

(c) *Substitution:* The Trust Deed contains provisions permitting (but not obliging) the Trustee to agree, subject to such amendment of the Trust Deed and such other conditions as the Trustee may require, but without the consent of the Noteholders or the Couponholders, to the substitution of the Issuer's successor in business or any Subsidiary (as defined in the Trust Deed) of the Issuer or its successor in business or of the Guarantor or its successor in business or any Subsidiary of the Guarantor or its successor in business in place of the Issuer or the Guarantor, or of any previous substituted company, as principal debtor or guarantor under the Trust Deed, the relevant Deed of Guarantee and the Notes. In the case of such a substitution, the Trustee may (but shall not be obliged to) agree, without the consent of the Noteholders or the Couponholders, to a change of the law governing the Notes, the Receipts, the Coupons, the Talons, the relevant Deed of Guarantee and/or the Trust Deed provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Noteholders.

(d) *Entitlement of the Trustee:* In connection with the exercise of its functions, rights, powers and discretions (including but not limited to those referred to in this Condition 11), the Trustee shall have regard to the interests of the Noteholders as a class and shall not have regard to the consequences of such exercise for individual Noteholders or Couponholders and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer, the Guarantor or the Trustee any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders.

12. Enforcement

At any time after the Notes become due and payable, the Trustee may, at its discretion and without further notice, institute such proceedings against the Issuer and/or the Guarantor as it may think fit to enforce the terms of the Trust Deed, the relevant Deed of Guarantee, the Notes, the Receipts and the Coupons, but it need not take any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Noteholders holding at least 25 per cent. in aggregate principal amount of the Notes then outstanding, and (b) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction. No Noteholder, Receiptholder or Couponholder may proceed directly against the Issuer or the Guarantor unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

13. Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured and/or pre-funded to its satisfaction. The Trustee is entitled to enter into business transactions with the Issuer, the Guarantor and any entity related to the Issuer or the Guarantor without accounting for any profit.

The Trustee may rely without liability to Noteholders or Couponholders on any report, confirmation or certificate or any advice or opinion of any accountants, legal advisers, financial advisers, financial institution or any other expert, whether or not obtained by or addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or any other person or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation, certificate, advice or opinion, in which event such report, confirmation, certificate, advice or opinion shall be binding on the Issuer, the Guarantor, the Trustee and the Noteholders.

14. Replacement of Notes, Certificates, Receipts, Coupons and Talons

If a Note, Certificate, Receipt, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Issuing and Paying Agent (in the case of Bearer Notes, Receipts, Coupons or Talons) and of the Registrar (in the case of Certificates) or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Note, Certificate, Receipt, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Notes, Certificates, Receipts, Coupons or further Coupons) and otherwise as the Issuer may require. Mutilated or defaced Notes, Certificates, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

15. Further Issues

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further securities either having the same terms and conditions as the Notes in all respects (or in all respects except for the issue date, the issue price, the first payment of interest on them and the timing for completion of the NDRC Post Issuance Filing and the Cross-border Security Registration) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Notes) or upon such terms as the Issuer may determine at the time of their issue, provided that in the case of Bearer Notes issued in accordance with TEFRA D the consolidation will occur only after interests in any outstanding temporary global note of the relevant series have been exchanged for interests in a permanent global note or definitive notes upon certification of non-U.S. beneficial ownership as required under TEFRA D. References in these Conditions to the Notes include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the Notes. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of securities of other series where the Trustee so decides.

16. Notices

Notices to the holders of Registered Notes shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing and, so long as the Notes are listed on the Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") and the rules of the Hong Kong Stock Exchange so require, published in a leading newspaper having general circulation in Hong Kong (which is expected to be the Asian Wall Street Journal). Notices to the holders of Bearer Notes shall be valid if published in a daily newspaper of general circulation in Hong Kong and, so long as the Notes are listed on the Hong Kong Stock Exchange and the rules of the Hong Kong Stock Exchange so require, published in a daily newspaper with general circulation in Hong Kong (which is expected to be the Asian Wall Street Journal). If in the opinion of the Trustee any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper with general circulation in Asia. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made, as provided above.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Bearer Notes in accordance with this Condition.

So long as the Notes are represented by a Global Note or a Global Certificate and such Global Note or Global Certificate is held on behalf of (i) Euroclear or Clearstream or any other clearing system (except as provided in (ii) below), notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note or (ii) the CMU, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to the persons shown in a CMU Instrument Position Report issued by the CMU on the second business day preceding the date of despatch of such notice as holding interests in the relevant Global Note or Global Certificate.

17. Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999 except and to the extent (if any) that the Notes expressly provide for such Act to apply to any of their terms.

18. Governing Law and Jurisdiction

(a) *Governing Law:* The Trust Deed, the relevant Deed of Guarantee, the Notes, the Receipts, the Coupons and the Talons and any non-contractual obligations arising out of, or in connection with them, are governed by, and shall be construed in accordance with, English law.

(b) *Jurisdiction:* The courts of England are to have jurisdiction to settle any disputes that may arise out of or in connection with any Notes, Receipts, Coupons or Talons or the Guarantee and accordingly any legal action or proceedings arising out of or in connection with any Notes, Receipts, Coupons or Talons or the relevant Guarantee ("**Proceedings**") may be brought in such courts. Each of the Issuer and the Guarantor have in the Trust Deed irrevocably submitted to the jurisdiction of such courts.

(c) *Service of Process:* Each of the Issuer and the Guarantor in the Trust Deed have irrevocably appointed an agent in England to receive, for it and on its behalf, service of process in any Proceedings in England.

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

Initial Issue of Notes

Global Notes and Global Certificates may be delivered on or prior to the original issue date of the Tranche to a Common Depositary for Euroclear and Clearstream or a sub-custodian for the CMU.

Upon the initial deposit of a Global Note with a common depositary for Euroclear and Clearstream (the "**Common Depositary**") or with a sub-custodian for the CMU or registration of Registered Notes in the name of (i) any nominee for Euroclear and Clearstream or (ii) the Hong Kong Monetary Authority as operator of the CMU and delivery of the relevant Global Certificate to the Common Depositary or the sub-custodian for the CMU (as the case may be), Euroclear or Clearstream or the CMU (as the case may be) will credit each subscriber with a principal amount of Notes equal to the principal amount thereof for which it has subscribed and paid.

Notes that are initially deposited with the Common Depositary may also be credited to the accounts of subscribers with (if indicated in the relevant Pricing Supplement) other clearing systems through direct or indirect accounts with Euroclear and Clearstream held by such other clearing systems. Conversely, Notes that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream or other clearing systems.

Relationship of Accountholders with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream or any other clearing system ("**Alternative Clearing System**") as the holder of a Note represented by a Global Note or a Global Certificate must look solely to Euroclear, Clearstream or any such Alternative Clearing System (as the case may be) for his share of each payment made by the Issuer to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, and in relation to all other rights arising under the Global Notes or Global Certificates, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream or such Alternative Clearing System (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by such Global Note or Global Certificate and such obligations of the Issuer will be discharged by payment to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, in respect of each amount so paid.

If a Global Note or a Global Certificate is lodged with a sub-custodian for or registered with the CMU, the person(s) for whose account(s) interests in such Global Note or Global Certificate are credited as being held in the CMU in accordance with the CMU Rules as notified by the CMU to the CMU Lodging and Paying Agent in a relevant CMU Issue Position Report or any other relevant notification by the CMU (which notification, in either case, shall be conclusive evidence of the records of the CMU save in the case of manifest error) shall be the only person(s) entitled or in the case of Registered Notes, directed or deemed by the CMU as entitled to receive payments in respect of Notes represented by such Global Note or Global Certificate and the Issuer will be discharged by payment to, or to the order of, such person(s) for whose account(s) interests in such Global Note or Global Certificate are credited as being held in the CMU in respect of each amount so paid. Each of the persons shown in the records of the CMU, as the beneficial holder of a particular principal amount of Notes represented by such Global Note or Global Certificate must look solely to the CMU Lodging and Paying Agent for his share of each payment so made by the Issuer in respect of such Global Note or Global Certificate.

Exchange

Temporary Global Notes

Each temporary Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date:

(i) if the relevant Pricing Supplement indicates that such Global Note is issued in compliance with the C Rules or in a transaction to which TEFRA is not applicable (as to which, please see "*Summary of the Programme – Selling Restrictions*"), in whole, but not in part, for the Definitive Notes defined and described below; and

(ii) otherwise, in whole or in part upon certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement for interests in a permanent Global Note or, if so provided in the relevant Pricing Supplement, for Definitive Notes.

The CMU may require that any such exchange for a permanent Global Note is made in whole and not in part and in such event, no such exchange will be effected until all relevant account holders (as set out in a CMU Issue Position Report (as defined in the rules of the CMU) or any other relevant notification supplied to the CMU Lodging and Paying Agent by the CMU) have so certified.

The holder of a temporary Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the temporary Global Note for an interest in a permanent Global Note or for Definitive Notes is improperly withheld or refused.

Permanent Global Notes

Each permanent Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not, except as provided under "Partial Exchange of Permanent Global Notes" below, in part for Definitive Notes if the permanent Global Note is held on behalf of Euroclear, Clearstream, the CMU or an Alternative Clearing System and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so.

In the event that a Global Note is exchanged for Definitive Notes, such Definitive Notes shall be issued in Specified Denomination(s) only. A Noteholder who holds a principal amount of less than the minimum Specified Denomination will not receive a definitive Note in respect of such holding and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

Global Certificates

The following will apply in respect of transfers of Notes held in Euroclear, Clearstream, the CMU or an Alternative Clearing System. These provisions will not prevent the trading of interests in the Notes within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Notes may be withdrawn from the relevant clearing system. A Global Certificate will be exchangeable, free of charge to the Noteholder, on or after its Exchange Date in whole but not in part for Definitive Notes: (a) if the Notes of the relevant Series become immediately due and payable in accordance with the terms of the Trust Deed or the Conditions; or (b) if the Global Certificate is held on behalf of the relevant clearing system and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so.

In the event that a Global Certificate is exchanged for a definitive certificate, such definitive certificate shall be issued in Specified Denomination(s) only. A Noteholder who holds a principal amount of less than the minimum Specified Denomination will not receive a definitive certificate in respect of such holding and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

Partial Exchange of Permanent Global Notes

For so long as a Permanent Global Note is held on behalf of a clearing system and the rules of that clearing system permit, such Permanent Global Note will be exchangeable in part on one or more occasions for Definitive Notes (i) if principal in respect of any Notes is not paid when due or (ii) if so provided in, and in accordance with, the Conditions (which will be set out in the relevant Pricing Supplement) relating to Partly Paid Notes.

Delivery of Notes

On or after any due date for exchange, the holder of a Global Note may surrender such Global Note or, in the case of a partial exchange, present it for endorsement to or to the order of the Issuing and Paying Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent).

In exchange for any Global Note, or the part thereof to be exchanged, the Issuer will (i) in the case of a temporary Global Note exchangeable for a permanent Global Note, deliver, or procure the delivery of, a permanent Global Note in an aggregate principal amount equal to that of the whole or that part of a temporary Global Note that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a permanent Global Note to reflect such exchange or (ii) in the case of a Global Note exchangeable for Definitive Notes, deliver, or procure the delivery of, an equal aggregate principal amount of duly executed and authenticated Definitive Notes. Global Notes, Global Certificates and Definitive Notes will be delivered outside the United States and its possessions. In this Offering Circular, "Definitive Notes" means, in relation to any Global Note, the definitive Bearer Notes for which such Global Note may be exchanged (if appropriate, having attached to them all Coupons and Receipts in respect of interest or Instalment Amounts that have not already been paid on the Global Note and a Talon). Definitive Notes will be security printed in accordance with any applicable legal and stock exchange requirements in or substantially in the form set out in the Schedules to the Trust Deed. On exchange in full of each permanent Global Note, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Notes.

Exchange Date

"**Exchange Date**" means, in relation to a temporary Global Note, the day falling after the expiry of 40 days after its issue date and, in relation to a permanent Global Note, a day falling not less than 60 days, or in the case of failure to pay principal in respect of any Notes when due 30 days, after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Issuing and Paying Agent (or, in the case of the Notes lodged with the CMU, the CMU Lodging and Paying Agent) is located and in the city in which the relevant clearing system is located.

Amendment to Conditions

The temporary Global Notes, permanent Global Notes and Global Certificates contain provisions that apply to the Notes that they represent, some of which modify the effect of the terms and conditions of the Notes set out in this Offering Circular. The following is a summary of certain of those provisions:

Payments

No payment falling due after the Exchange Date will be made on any Global Note unless exchange for an interest in a permanent Global Note or for Definitive Notes is improperly withheld or refused.

Payments on any temporary Global Note issued in compliance with the D Rules before the Exchange Date will only be made against presentation of certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement. All payments in respect of Notes represented by a Global Note (except with respect to a Global Note held through the CMU) will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of that Global Note to or to the order of the Issuing and Paying Agent as shall have been notified to the Noteholders for such purpose. A record of each payment so made will be enfaced on each Global Note, which endorsement will be prima facie evidence that such payment has been made in respect of the Notes.

All payments in respect of Notes represented by a Global Certificate (other than a Global Certificate held through the CMU) will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the record date which shall be the Clearing System Business Day immediately prior to the date for payment, where "**Clearing System Business Day**" means Monday to Friday inclusive except 25 December and 1 January.

In respect of a Global Note or Global Certificate held through the CMU, any payments of principal, interest (if any) or any other amounts shall be made to the person(s) for whose account(s) interests in the relevant Global Note are credited (as set out in a CMU Issue Position Report or any other relevant notification supplied to the CMU Lodging and Paying Agent by the CMU) and, save in the case of final payment, no presentation of the relevant bearer Global Note or Global Certificate shall be required for such purpose.

So long as the Notes are represented by the Global Certificate and the Global Certificate is held on behalf of a clearing system, the Issuer has promised, *inter alia*, to pay interest in respect of such Notes from the Interest Commencement Date in arrear at the rates, on the dates for payment, and in accordance with the method of calculation provided for in the Conditions of any Notes, save that the calculation is made in respect of the total aggregate amount of the Notes represented by the Global Certificate.

Prescription

Claims against the Issuer in respect of Notes that are represented by a permanent Global Note will become void unless it is presented for payment within a period of 10 years (in the case of principal) and 5 years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 8).

Meetings

The holder of a permanent Global Note or of the Notes represented by a Global Certificate shall (unless such permanent Global Note or Global Certificate represents only one Note) be treated as being two persons for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, the holder of a permanent Global Note or of the Notes represented by a Global Certificate shall be treated as having one vote in respect of each integral currency unit of the Specified Currency of the Notes. All holders of Registered Notes are entitled to one vote in respect of each integral currency unit of the Specified Currency of the Notes comprising such Noteholders' holding, whether or not represented by a Global Certificate.

Cancellation

Cancellation of any Note represented by a permanent Global Note that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the principal amount of the relevant permanent Global Note or its presentation to or to the order of the Issuing and Paying Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent) for endorsement in the relevant schedule of such permanent Global Note or in the case of a Global Certificate, by reduction in the aggregate principal amount of the Certificates in the Register, whereupon the principal amount thereof shall be reduced for all purposes by the amount so cancelled and endorsed.

Purchase

Notes represented by a permanent Global Note may only be purchased by the Issuer, the Guarantor or any of their respective Subsidiaries if they are purchased together with the rights to receive all future payments of interest and Instalment Amounts (if any) thereon.

Issuer's Option

Any option of early redemption of the Issuer provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note shall be exercised by the Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain the serial numbers of Notes drawn in the case of a partial exercise of an option and accordingly no drawing of Notes shall be required. In the event that any option of the Issuer is exercised in respect of some but not all of the Notes of any Series, the rights of accountholders with a clearing system in respect of the Notes will be governed by the standard procedures of Euroclear, Clearstream, the CMU or any other clearing system (as the case may be).

Noteholders' Options

Any option of the Noteholders provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note may be exercised by the holder of the permanent Global Note giving notice to the Issuing and Paying Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent) within the time limits relating to the deposit of Notes with a Paying Agent set out in the Conditions substantially in the form of the notice available from any Paying Agent, except that the notice shall not be required to contain the certificate numbers of the Notes in respect of which the option has been exercised, and stating the principal amount of Notes in respect of which the option is exercised and at the same time presenting the permanent Global Note to the Issuing and Paying Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent), for notation. Any option of the Noteholders provided for in the Conditions of any Notes while such Notes are represented by a Global Certificate may be exercised in respect of the whole or any part of the holding of the Notes represented by the Global Certificate.

Trustee's Powers

In considering the interests of Noteholders while any Global Note is held on behalf of, or Registered Notes are registered in the name of, or in the name of any nominee for, a clearing system, the Trustee may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to such Global Note or Registered Notes and may consider such interest if such accountholders were the holders of the Notes represented by such Global Note or Global Certificate.

Notices

So long as any Notes are represented by a Global Note or a Global Certificate and such Global Note or Global Certificate is held on behalf of (i) Euroclear and/or Clearstream or any other clearing system (except as provided in (ii) below), notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note or (ii) the CMU, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to the persons shown in a CMU Issue Position Report issued by the CMU on the second business day preceding the date of despatch of such notice as holding interests in the relevant Global Note or Global Certificate.

Partly Paid Notes

The provisions relating to Partly Paid Notes are not set out in this Offering Circular, but will be contained in the relevant Pricing Supplement and thereby in the Global Notes. While any instalments of the subscription moneys due from the holder of Partly Paid Notes are overdue, no interest in a Global Note representing such Notes may be exchanged for an interest in a permanent Global Note or for Definitive Notes (as the case may be). If any Noteholder fails to pay any instalment due on any Partly Paid Notes within the time specified, the Issuer may forfeit such Notes and shall have no further obligation to their holders in respect of them.

USE OF PROCEEDS

The net proceeds from the issue of each Tranche of Notes will be used for the Guarantor's working capital and general corporate purposes. If, in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the applicable Pricing Supplement.

CAPITALISATION AND INDEBTEDNESS

The following table sets forth the Guarantor's unaudited consolidated capitalisation and indebtedness as at 31 December 2021. The following table should be read in conjunction with the Guarantor's financial statements and related notes included elsewhere in this Offering Circular.

	As at 31 December 2021	
	Actual	
	RMB	U.S.$[(1)]
	(Audited)	(Unaudited)
	(in millions)	
Non-current indebtedness		
Borrowings	18,145.2	2,847.4
Bonds payable	14,865.4	2,332.7
Equity		
Equity attributable to owners of the Company	17,536.0	2,751.8
– Shareholders	15,151.5	2,377.6
– Other equity instrument holders	2,384.5	374.2
Non-controlling interests	83.7	13.1
Total Equity	17,619.6	2,764.9
Total Capitalisation[(2)]	**50,630.2**	**7,945.0**

(1) Amounts in Renminbi have been translated into U.S. dollar at the exchange rate of US$1.00 = RMB6.3726, as set forth in the H.10 statistical release of the United States Federal Reserve Board as of 30 December 2021.

(2) Total capitalization equals the sum of total non-current indebtedness and total equity

Total capitalisation of the Group is affected by borrowings, debt and equity financing activities of the Group after 31 December 2021, mainly including: the first tranche mid-term notes of RMB800 million of the Guarantor issued in January 2022 with a coupon rate of 3.64 per cents and a term of three years and the first tranche of the extendable corporate bonds of RMB970 million of the Guarantor with a coupon rate of 4.59 per cent. and an initial term of two years.

Save as disclosed above, there has been no material change in the Guarantor's capitalisation since 31 December 2021.

DESCRIPTION OF THE ISSUER

Formation

The Issuer, Haitong UT Brilliant Limited, is a company with limited liability incorporated in Hong Kong on 1 December 2020. Its registered office is located at 11/F., Central Tower, 28 Queen's Road Central, Central, Hong Kong. The Issuer is a wholly-owned subsidiary of the Guarantor.

Business Activity

As at the date of this Offering Circular, the Issuer has not engaged, since its incorporation, in any material activities other than those arrangements for the establishment of U.S.$1,000,000,000 guaranteed medium term note programme on 17 May 2021, the issue of U.S.$100,000,000 3.0 per cent. notes due 2024 on 3 June 2021 and those relating to the proposed issue of the Notes and the on-lending of the proceeds thereof to the Guarantor or its subsidiaries or affiliates, and the authorisation of documents and agreements referred to in this Offering Circular to which it is or will be a party.

Directors and Officers

The directors of the Issuer are ZHOU Jianli, LI Dandan and CHAN Yin Cheung.

Share Capital

As at the date of this Offering Circular, the authorised share capital of the Issuer is U.S.$1.00 divided into one share of U.S.$1.00 each and the Issuer has one share in issue. None of the equity securities of the Issuer was listed or dealt in on any stock exchange and no listing or permission to deal in such securities was being or was proposed to be sought as at the date of this Offering Circular.

Financial Information

As at the date of this Offering Circular, the Issuer has not prepared any financial statements and has neither outstanding borrowings nor contingent liabilities other than the proposed issue of the Notes.

DESCRIPTION OF THE GROUP

Overview

The Guarantor is a steadily growing financial leasing company in China and was established in 2004 as a foreign-invested enterprise. In 2013, Haitong Securities acquired the entire equity interest of parent company of the Guarantor in order to expand Haitong Securities' business to financial leasing field. The acquisition was duly completed in 2014 and since then Haitong Securities has become the ultimate controlling shareholder of the Group. In 2019, the Group successfully spun off from Haitong Securities and listed on the Main Board of the Hong Kong Stock Exchange on 3 June 2019. The Guarantor was the first listed securities-affiliated financial leasing company in China and strives to become the financial leasing company that leads industry innovation and boasts competitive edges in the capital market.

The headquarter of the Group is located in Shanghai and the Group operates seven specialised business departments, namely Public Services Department, Construction Department, Advanced Manufacturing Business Department, Digital Environmental Protection Business Department, Healthcare Business Department, Asset Transaction and Structured Financing Department and Project Management Department. As at 31 December 2021, the Group has also established 17 branches and 12 directly-held subsidiaries in areas including Hong Kong, Tianjin, Shandong, Hebei, Jiangxi, Anhui and Shanghai.

As the sole leasing platform and one of the key strategic segments of Haitong Securities, a leading securities firm in China, the Group offers customer-oriented and innovative financial services to a diverse group of customers across various industries by leveraging the investment banking expertise of Haitong Securities. The Group's businesses comprise financial leasing, operating leasing, factoring, entrusted loans and other loans, as well as advisory services. The Group achieved rapid growth in the recent years. For the years ended 31 December 2019, 2020 and 2021, the Group's consolidated revenue was RMB7,144.9 million, RMB7,915.0 million and RMB8,177.6 million, respectively, and its profit for the respective period was RMB1,354.9 million, RMB1,116.0 million and RMB1,412.9 million, respectively. As at 31 December 2019, 2020 and 2021, the Group's total assets was RMB99,047.3 million, RMB108,141.5 million and RMB114,741.3 million, respectively.

The Group has adopted a "One Body, Two Wings" business development model. On the one hand, its headquarters operates seven specialised business departments focusing on specific industries or customer segments that demand strong expertise. On the other hand, the Group has also built up a branch network providing comprehensive services to local customers. Such network has deepened its presence in local markets and enabled it to manage local operations in a cost-efficient manner. Through implementing a "One Body, Two Wings" development strategy, The Group has broadened its customer coverage and expanded its geographical layout and has gradually formed localized operation.

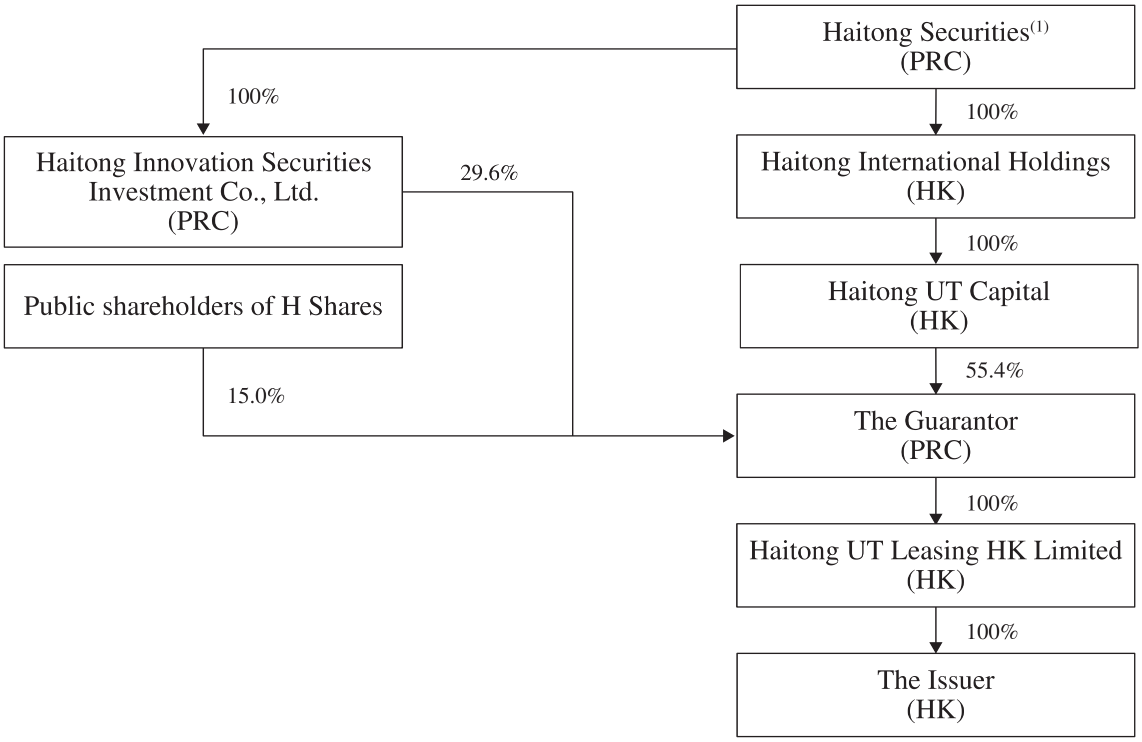
The Group is implementing a customer strategy to develop a balanced customer base. While the Group proactively develops LME customers and takes on large projects, it also strategically promotes businesses with MSE & Retail customers, which possess significant growth potentials. The Group has customers in a wide array of industries, including transportation & logistics, industrials, infrastructure, construction & real estate, healthcare, chemical industry and education.

The Group has a comprehensive and prudent risk management system covering various types of risks throughout its entire business processes. The Group applies its rich experience in the financial leasing industry and deep knowledge of capital markets in its risk management process.

When the Group reviews the credit profiles of customers, it considers not only its basic financial indicators but also its growth potential and access to the capital markets. In the recent years, the Group maintained sound asset quality. As at 31 December 2019, 2020 and 2021, the NPA ratio of the Group's interest-earning assets was 1.08 per cent., 1.10 per cent. and 1.07 per cent., respectively.

Group Structure

The following chart sets out a simplified shareholding structure and key subsidiaries of the Group as at the date of this Offering Circular.



(1) Haitong Securities' A Shares are listed on the Shanghai Stock Exchange with a stock code of 600837 and its H Shares are listed on the main board of the Hong Kong Stock Exchange with a stock code of 6837.

Competitive Strengths

The Group believes that it has the following competitive strengths:

Tailored and innovative services and products addressing customer needs

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

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

- The Group focuses on opportunities in emerging industries and transformation of traditional industries, which is the growth driver for its business. In 2021, the Group continued to optimize our asset layout. While consolidating its businesses in urban utilities, construction, healthcare and other industries, the Group aligned its strategic plan with the "14th Five-Year Plan" of China, and invested emerging strategic industries such as high-end equipment manufacturing, digital economy and green leasing.

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

- The Group has designed leasing products which have flexible terms and can be converted into, or exchanged with, securities of its customers. The Group's convertible lease and exchangeable lease products provide it with an option to convert the outstanding lease receivables into shares of corporate customers within a prescribed period, which provide its customers with flexible financing solutions. The Group introduced online factoring products in January 2017 and started to provide financial leasing for micro– and small-sized dental clinics in 2016 and for hotel chains in 2018. In 2021, capitalizing on the latest regulatory trend of the industry and maintaining its keen market insight, the Group set up advanced manufacturing business department, asset transaction and structured financing department and project management department and integrated MSE Subsidiary to ensure the stable and compliant business development of the Company.

High-quality and diverse customer base

The Group has adopted a customer strategy to balance its customer base, pursuant to which it focuses on both LME customers and MSE & Retail customers. This strategy enables the Group to improve its asset structure, revenue mix and duration matching, and to further diversify credit risk and mitigate cyclical risk. The Group has a high-quality and diverse customer base. The Group established long-term and stable relationships with many LMEs (including SOEs and listed companies).

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

- The interest-earning assets attributable to MSE & Retail customers and the revenue attributable to these customers increased significantly during the same period.

- The Group focuses on emerging industries, including transportation and logistics (in particular, commercial and passenger vehicles), high-end manufacturing, electronic and medical equipment, to identify high-quality MSE customers that can benefit from China's economic transformation. The Group commenced its financial leasing services for commercial vehicles in 2011 and has expanded to passenger vehicles in 2015.

- The Group has continually improved the risk management and operations of its MSE & Retail business. While continuing to refine its credit approval and evaluation processes, the Group has adopted innovative and efficient credit approaches, including specific credit policies for retail customers, online scorecard for factoring business and scorecard for micro– and small-sized dental clinics. In addition, the Group's order processing capabilities have been improved through information technologies, which contributed to the growth of its MSE & Retail business.

Effective operating model with specialised headquarters' departments and localised teams

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

The headquarters of the Group operates seven specialised business departments, namely Public Services Department, Construction Department, Advanced Manufacturing Business Department, Digital Environmental Protection Business Department, Healthcare Business Department, Asset Transaction and Structured Financing Department and Project Management Department. These departments have accumulated extensive experience and rich insights into the prospects of specific industries and customer segments that demand strong expertise. Through research and analysis of the Group, these departments are able to develop new customers and further address its existing customers' demand. The Group has formed industry alliances to build a close relationship with the enterprises in its target industries. The Group believes that such alliances enable it to capture the business opportunities along the supply chain of its partners and help it improve its services and pricing power.

Benefiting from Haitong Securities' experience and resources in operating branches across China, the Group has successfully established a branch network covering its businesses across the country. As at 31 December 2021, the Group had 17 branches in 16 provinces and 12 directly-held subsidiaries in areas including Hong Kong, Tianjin, Shandong, Hebei, Jiangxi, Anhui and Shanghai. The Group's network of local offices enables it to cover wider regions and customers more efficiently. In addition to carrying out sales and marketing in the local markets, the local teams of the Group also perform risk control functions, including due diligence prior to credit approval and inspection of underlying assets during lease terms. Such an arrangement helps it lower management costs. Over time, the local teams of the Group have been able to develop expertise that is most pertinent to the local market environments.

Comprehensive and prudent risk management

The Group has established a comprehensive risk management system covering various types of risks throughout business processes in different local markets and credit environments. Within Haitong Securities' comprehensive risk management framework, the Group carries out risk management practice independently and reports risk management indicators to Haitong Securities as one of its business segments.

The risk management objectives of the Group are to maximise risk-adjusted returns within its risk tolerance level. The Group applies its rich experience in the financial leasing industry and deep knowledge of capital markets in the risk management process. When the Group reviews the credit profiles of customers, it considers not only the basic indicators of their repayment ability but also their growth potential and access to the capital markets. Such approach enables the Group to develop customers with significant business prospects while effectively controlling credit risks.

- *Customer and industry selection.* The Group conducts comprehensive due diligence on customers and performs detailed commercial feasibility studies of relevant projects. The Group rigorously selects customers whose products and businesses are in line with the national industry policies. Such approach enables the Group to focus on industries and customers which are in conformity with the strategy of the Group within its risk tolerance.

- *Credit review and approval.* The Group had set principles, procedures and approaches for credit review which are designed for various industries and types of customers, and continued to optimise its credit approval process.

- *Leased asset management.* The Group established a comprehensive leased asset management system, covering on-site inspections of leased assets, real-time publicity monitoring using crawler technology, five-category asset classification, risk warning and evaluation, asset preservation and disposal, and exposure limit management of credit asset portfolios. These measures enable the Group to effectively identify, monitor, evaluate and deal with the risks associated with leased assets and improve asset quality.

In the recent years, the Group maintained sound risk management practices. The Group has adopted a five-category asset classification system comparable to the one under the Guidelines on Risk-based Loan Classification issued by the CBIRC. As at 31 December 2019, 2020 and 2021, the NPA ratio of the Guarantor was 1.08 per cent., 1.10 per cent. and 1.07 per cent., respectively, and its allowance coverage ratio for NPAs was 265.19 per cent., 255.16 per cent. and 258.80 per cent., respectively, superior to the average of the PRC financial leasing industry and the average of the PRC banking industry. In 2016, the Guarantor became the first financial leasing company to be granted access to the PBOC's Enterprise Credit System through data reporting programme and is authorised to search credit reports of enterprises in that system.

Strong financing capabilities with diverse funding sources

Through close cooperation with domestic and overseas financial institutions, the Group has developed diverse funding sources, including syndicated loans, bank loans and debt securities issued in capital markets. With its strong financing capabilities, the Group has been able to raise funds at low cost to support its business growth and achieve improved profitability. Through improving the management of liquidity risk and liabilities structure, the Group was able to balance its financing and business and the assets and liabilities. As at 31 December 2021, the Group established credit relationships with 76 financial institutions.

The Group also proactively raises funds from capital markets by issuing debt securities (including fixed medium-term notes, asset-backed securities, short-term commercial papers, corporate bonds, ultra-short-term commercial papers, asset-backed medium-term notes and private placement notes) and by issuing perpetual medium-term notes

The Group has continually enhanced its financing capabilities through innovative financing solutions. Some of its financing transactions were milestones in the PRC financial leasing industry:

- In September 2014, the Group became one of the first foreign-funded leasing companies which were approved by the NAFMII to issue medium-term notes;

- In May 2015, the Group set up its first asset-backed securitisation programme with an aggregate principal amount of RMB1,362 million, which was then the largest asset-backed securitisation programme with finance lease receivables as underlying assets;

- In August 2015, the Group set up an RMB2.1 billion syndicated financing facility in the Shanghai Free Trade Zone, which was the first syndicated financing facility under the free trade account for financial leasing companies and was awarded "Best Project of the Year" by Shanghai Banking Association;

- In December 2015, the Guarantor became the first financial leasing company which was approved to register perpetual medium-term notes in the PRC inter-bank market and, in March 2016, the Group successfully issued perpetual medium-term notes with a principal amount of RMB1.2 billion;

- In April 2016, the Group set up the first asset-backed securities programme listed on the over-the-counter market of Chinese securities firms issued by financial leasing companies, which has a revolving asset pool with a principal amount of RMB1.2 billion;

- In July 2018, the Guarantor issued the first batch of asset-backed securities (Bond Connect) in China; In August 2018, the Guarantor was approved by Shanghai Stock Exchange to issue asset-backed securities with a total principal amount not exceeding RMB5 billion under the Group's special small scale asset-backed securities plan. As at 12 May 2019, the Group had issued three asset-backed schemes with an aggregate principal amount of RMB3 billion under this plan;

- In 2019, the Guarantor successfully issued the first asset-backed securities with credit protection contracts ("CDS") and the first loan prime rate ("LPR")-linked asset-backed notes in China; and

- In the first half of 2020, the Guarantor issued the first asset-backed notes of listed companies to be used for the prevention and control of COVID-19;

- In June 2021, the Group issued the first USD bonds of overseas subsidiaries in June 2021; and

- In December 2021, the Group successfully issued the first special plan of equipment lease and asset securities of MSEs with dual original owners.

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

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

The senior management team of the Group is experienced in management of financial institutions, and gives the Group unique advantages for strengthening its cooperation with Haitong

Securities. Most of the senior management of the Group served important positions in the securities and financing areas. Mr. Ren Peng, a director of the Guarantor, has rich experience of and deep insights in China's securities and investment banking industries. He served as a commissioner of the Committee of M&As and Restructuring of the CSRC and currently serves as commissioner of the Expert Committee of the CSRC. Mr. Ding Xueqing, chairman of the Board and an executive director of the Guarantor, served as general manager of the Retail and Internet Finance Department of Haitong Securities and has extensive management experience in the retail segment of the securities business. The senior management's vision and entrepreneurial spirit have led the Group to adjust its business strategies in a timely manner to capture market opportunities.

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

Strategies

The Group will pay close attention to the domestic and international economic conditions and the impacts of the COVID-19 pandemic, continue to adhere to the principle of serving real economy with financial services and coordinate and adopt regular precautionary measures and operation development initiatives in response to the pandemic. The Group will be committed to its development strategies, optimize and integrate internal and external resources, optimize resources allocation and deepen the application of information technology and financial technology. Efforts will be made to embrace challenges and seek opportunities in tough times and steer the direction of business restructuring. The Group will explore new development opportunities and identify the new needs of customers while strengthening its competitive business. The Group will also continue to consolidate its leading position and competitive strengths through the following strategies to promote its high-quality and sustainable development:

Continue to expand sales and service network and strengthen the collaboration between headquarters' specialised departments and local teams of the Group

The Group's unique two-tiered operating model, "One Body, Two Wings", played a paramount role in its rapid growth in the recent years. The Group plans to continue to improve and strengthen the collaboration among its specialised business departments, branches and subsidiaries to support the long-term growth of its business. The Group intends to further expand its sales and service network by "One Body, Two Wings" business development model and strengthen the collaboration among its business headquarter, branches and subsidiaries. The Group intends to deepen the construction of localized marketing network, strengthen business guidance and establish business teams. Business expansion and customer resources management will be enhanced by capitalizing on the synergy of the "Two Wings" model, so as to support the long-term business growth and breakthroughs of the Group.

The specialised business departments of the Group at the headquarters will continue to deepen research in their target industries and customer segments and continue to lead key projects of the Group in strategic emerging industries such as smart city, Internet Data Centre, 5G industrial chain, information manufacturing, advanced manufacturing, healthcare and environmental protection. The Group intends to 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.

The Group intends to further enhance the sales capabilities of its branches by expanding the branch network to cover the four major municipalities, provincial capitals and other cities in economically-developed regions. The Group intends to improve the management structure of its local operations across the country and enhance its operational positioning in regional markets to maintain its network advantage among its peers. In addition, the Group intends to fully utilize its branches' local presence to further develop business with local characteristics based on the features of regional economies and realize steady growth. Furthermore, the Group intends to further optimize its operation management system, enhance the coordination and collaboration among its specialised business departments at its headquarters and its local teams and focus on serving quality customers such as leading companies in the industrials sector and industrial group to improve the efficiency of sales and marketing.

The Group intends to leverage on favourable national policies to MSE and the trend of transformation and upgrade of the manufacturing industry to keep abreast of policies and opportunities in the market and extend the use of operating resources. It plans to strengthen the concept of "finance empowered by technology" by enhancing the coordination between financial technology and MSE business operation and explore possibilities of the application of financial technology in analyzing operation of customers and assets monitoring and alert, so as to establish a data base for MSE customers. The Group's MSE subsidiary intends to enhance innovation in new business model, improve and replicate corporation model with leading companies by the use of supply chain finance, so as to provide a driving force for the scalable development of MSE enterprises. The Group intends to 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.

Shanghai Dingjie Construction Development Co., Ltd., a subsidiary of the Guarantor, intend to further enhance the entire life cycle management of existing projects, strictly implement the project management standards during each of the stages of investment, financing, construction and operation, and steadily carry out the establishment of various projects with regular precautionary measures in response to the COVID-19 pandemic. Project quality and progress will be stringently monitored. It will draw up funds budget, set reasonable terms for repayment and strictly control withdrawal of funds to ensure project safety and reduce risk of revenue loss. In addition, it will integrate PPP alliance resources effectively, strengthen business expansion, promote collaboration among various business units within the Group and further enrich channels for business expansion.

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

The Group will continue to implement its customer development strategy to achieve a balanced customer base. The Group intends to enhance management of customer resources, refine customer relations and to provide customized and integrated services for LME, MSE & Retail customers, so as to facilitate the mutual benefits between large and small enterprises of various industries. These efforts will enable us to have balanced growth in both scale and profitability and achieve credit risk diversification.

In respect of large-sized enterprise customers and large projects, the Group will further tap into the financing needs of enterprises in the infrastructure and healthcare industries, with a focus on developing high-end and inclusive healthcare service projects. Meanwhile, the Group will strengthen and expand business cooperation with leading companies in the industrials sector by leveraging its industry expertise. The Group intends to improve its execution capabilities for large projects, and continues to build supporting systems to promote the development of large customers and execution of large projects.

The Group believes that its MSE & retail business is one of significant growth drivers to achieve a long-term rapid development and one of the key factors to improve its overall profitability. While continuing to develop large customers and large projects, the Group plans to actively develop high-quality MSE & Retail customers which have strong competitiveness And recognize and satisfy retail customer needs of financial services, in particular the Group's financial leasing services, based on the Group's knowledge of certain business scenarios.. In addition, the Group plans to further tap into the inclusive financing with financial technology and pay attention to MSE finance such as consumption finance and supply chain finance as well as their business models.. While optimising its existing online products and services for retail customers, the Group will continue to develop new Internet-based products. The Group intends to promote the launch of electronic deals to improve business procedures and reduce the cost of time.

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

The Group believes that its business philosophy of providing tailored and innovative services and products to meet customer needs is an important factor which differentiates itself from other financial leasing companies and contributes to its leading position in the PRC financial leasing industry. The Group will continue to provide innovative products and services based on customer needs by implementing the best practices of investment banking, strengthening the collaboration with financial institutions and industry alliance partners and conducting insightful research on new industries and new opportunities. The Group plans to continue to boost its market sensitivity and explore future value of industries with a focus on the optimization of the general operation layout.

In aspects of business and product innovation, the Group will continue to launch innovative products and services and seek investment opportunities to expand its sources of revenue based on its deep understanding of customer needs, industry development trends and capital markets. The Group plans to strengthen its service competitiveness and customer loyalty in an effort to expand the revenue sources of the Group.

In addition, to capture the opportunities in the big data sector, the Group is actively providing financing services to companies engaged in IDC services. The Group intends to provide services to financial institutions and government departments in respect of the investment, establishment and maintenance of data centres with high quality. Meanwhile, the Group plans to increase its investments in information technologies, advanced equipment and electronics.

Improve the comprehensive risk management system and strengthen the stable development of compliance

The Group emphasises risk management in its daily operations and has continued to strengthen its risk management capabilities for all staff in all aspects and procedures and improve its risk management system. Based on the Group's risk management target of controlling the risks within an acceptable range and to maximize the income after risk adjustment, the Group plans to refine and delineate the functions and responsibilities of Risk Management Committee of the board of directors, risk management department, credit assessment department, compliance department, internal control departments and other relevant departments to implement centralized management of key processes in its risk management practices.. The Group also plans to implement differentiated risk management measures suitable for different businesses and types of customers. The Group intends to take greater initiative in risk management and compliance management, improve governance of risk management and compliance and strictly implement industry regulatory policies and systems. These efforts will help improve the Group's risk management measures and strengthen the Group's internal control. The Group 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". The Group also plans to implement differentiated risk management measures according to the characteristics of different businesses, types of customers, industries, regions and risks and continue to improve our credit risk management methods and tools, stress testing, risk monitoring system and risk reporting system.

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

The Group will pay close attention to the macro financial environment, make efforts to expand its funding sources, steadily reduce its financing costs and expand its funding sources to support a sustainable growth in its business. The Group will continue to enhance its net capital and to increase the proportion of direct financing in its total indebtedness. The Group intends to issue various debt securities, including asset-backed securities, corporate bonds, short-term commercial papers, ultra-short-term commercial papers, medium-term notes and private placement of bonds. The Group will maintain flexibility in selecting various new domestic and overseas financing sources in accordance with changes in the financing environment and business development needs.

With respect to liquidity management, the Group will further enhance the development of its assets and liabilities management system, continually refine the internal systems and processes related to assets and liabilities management to ensure that its funds can meet the safety, liquidity and profitability requirements, promote dynamic capital management efficiency and make reasonable use of funds. The Group also intends to facilitate the efficient collaboration among financing department, business department, commercial department and credit assessment department to ensure that its funds can meet the safety, liquidity and profitability requirements. The Group will actively select the investment channels for its idle funds and increase returns on idle funds within its risk tolerance.

Optimise performance-based incentive mechanism and further grow its high-quality professional team

The Group believes that its experienced and visionary management team and advanced talent management system can ensure its continual growth and essential competitiveness as a leader in the PRC financial leasing industry. The Group will further build its professional teams by recruiting professional talents with international background, cross-disciplinary knowledge and strong education credentials. The Group also strives to strengthen the echelon construction of youth management team and refine management training system to build up a talent pool for long-term growth. The Group will enhance the competitiveness of its remuneration and employee incentive system, which enables its employees to fulfil their career development goals, benefit from the rapid development of the Group and have a sense of accomplishment. The Group will continue to implement the promotion system comparable to the managing director hierarchy widely adopted by the investment banking industry to incentivise its employees. The Group will continue to implement the position system and promotion mechanism comparable to the managing director hierarchy widely adopted by the investment banking industry. Efforts will be made to establish reasonable and unimpeded career development path, optimize performance assessment and incentive system. These initiatives will enable the Group's employees to achieve their career development and benefit from the long-term development of the Company and have a sense of accomplishment and fulfilment.

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

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

Milestones

The Group has achieved the following important milestones in the history of its business:

2004	In July, the Guarantor was established by Japan's NIS Group Co., Ltd., under the name of Matsuyama Nissin Investment and Consulting (Shanghai) Co., Ltd.
2005	In August, the Group obtained the approval issued by MOFCOM to conduct financial leasing business and was renamed Matsuyama Nissin Leasing (China) Co., Ltd.
2007	In July, the Group increased its registered capital to U.S.$100.0 million through a shareholder capital injection.
2010	The Group was awarded the "Most Influential Financial Leasing Company in China" by the China Leasing Business Association of CAEFI（中國外商投資企業協會租賃業工作委員會）during its annual meeting.
2012	In December, the Group was awarded the "China Financial Leasing Company of the Year" by the China Leasing Business Association of CAEFI（中國外商投資企業協會租賃業工作委員會）during its annual meeting.
2013	In December, the Group was again awarded the "China Financial Leasing Company of the Year" by

the China Leasing Business Association of CAEFI（中國外商投資企 業協會租賃業工作委員會）during its annual meeting.

2014 In January, the Haitong Securities and its subsidiaries (excluding the Group) acquired the whole equity interest the Group.

In December, the Group was again awarded the "China Financial Leasing Company of the Year" by the China Leasing Business Association of CAEFI（中國外商投資企業協會租賃業工作委員會）during its annual meeting.

2015 In May, Shanghai Brilliance Credit Rating & Investors Service Co., Ltd. raised the Guarantor's "AA" credit rating to "AA+" with a stable outlook.

In May, the Group set up an asset-backed securitisation programme and issued asset-backed securities at a total par value of RMB1,362 million. This represented the largest issue of leased asset-backed securities in China.

In June, the Group successfully set up a US$80 million syndicated financing facility from a group of Taiwanese banks. This is the first syndicated financing facility obtained on the sole credit of the Guarantor, and without the provision of any guarantee or any other security.

In August, the Group successfully set up a RMB2.1 billion syndicated financing facility, which is the first syndicated financing for the financial leasing industry in the Shanghai Free Trade Zone.

In December, the Group successfully established a RMB7.2 billion syndicated financing facility, which is the largest syndicated facility for a PRC domestic financial leasing company.

2016 In April, the Guarantor issued asset-backed securities with a total principal amount of RMB1,200 million.

In November, the Guarantor issued asset-backed securities with a total principal amount of RMB1,500 million.

2017 In April, Shanghai Brilliance Credit Rating & Investors Service Co., Ltd. raised the Guarantor's "AA+" credit rating to "AAA."

2018	In June, the Guarantor was granted a credit rating of "AAA" (stable outlook) by Shanghai Brilliance Credit Rating & Investors Service Co., Ltd. In July, the Guarantor issued the first batch of asset-backed securities (Bond Connect) in China. In August, the proposed issuance of asset-backed securities with a total amount not exceeding RMB5 billion under the special small scale asset-backed securities plan of the Guarantor obtained the approval from the Shanghai Stock Exchange. In December, Haitong UT HK 9 Limited and Haitong UT HK 10 Limited successfully set up an aircraft asset-backed syndicated financing facility.
2019	On 3 June 2019, the Guarantor was successfully listed on the Main Board of the Hong Kong Stock Exchange with stock code 1905. Haitong UT Leasing HK, a subsidiary of the Guarantor, was awarded "Overall Deal of the Year Lessor"（中國區最佳交易獎） and "Best New Chinese Leasing Entrant" （最佳新秀租賃公司）for 2018 by Airfinance Journal. The Group successfully issued the first asset-backed securities with credit protection contracts ("CDS") and the first loan prime rate ("LPR")-linked asset-backed notes in China. The Guarantor acquired all equity interest of Haitong UT Holding.
2020	The Group issued the first asset-backed notes of listed companies for the purpose of the prevention and control of COVID-19 the Guarantor changed its Chinese name from "海通恆信 國際租賃股份有限公司" to "海通恆信國際融資租賃股份有限 公司" and changed its English name from "Haitong UniTrust International Leasing Co., Ltd." to "Haitong Unitrust International Financial Leasing Co., Ltd."
2021	The Guarantor acquired 60 per cent. of the equity interest of Gui'an UT Financial Leasing (Shanghai) Co., Ltd. in September, making it a wholly-owned subsidiary of the Guarantor for a consideration of RMB950 million. Prior to the acquisition, the Guarantor holds 40 per cent. equity interest in Gui'an UT Financial Leasing (Shanghai) Co., Ltd.

Businesses and Operations

Overview

The Group provides customers with financial leasing, operating leasing (including direct lease and sale-and-lease back), factoring, entrusted loans and other loans, as well as advisory services. The Group offers its products and services to customers from a wide range of industries, including transportation & logistics, industrials, infrastructure, construction & real estate, healthcare, chemical industry and education.

Principal Products and Services

Financial leasing

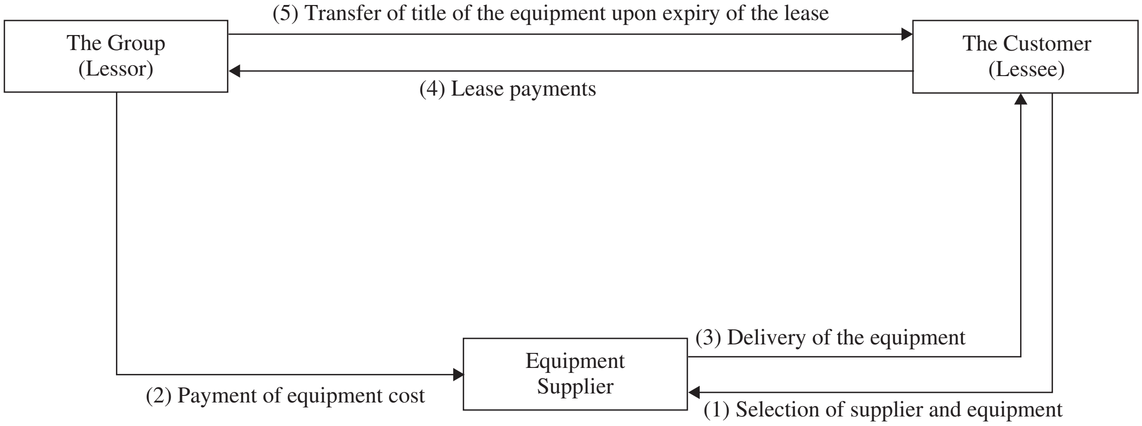
For the three years ended 31 December 2021, the Group derived its revenue primarily from financial leasing. For the years ended 31 December 2019, 2020 and 2021, the revenue generated from financial leasing business of the Group was RMB5,268.4 million, RMB5,950.0 million and RMB6,066.5 million, respectively, accounting for 73.7 per cent., 75.2 per cent. and 74.2 per cent. of the total revenue of the Group for the respective period.

Direct Leases

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

At the end of the lease term, the lessee has the option, upon prior notice to the Group, to purchase the leased equipment, renew the lease, or return the leased equipment to the Group, provided that there is no default on the part of the lessee or such default has been cured. If the lessee selects to purchase the leased equipment, it should pay the Group the consideration prior to the expiry of the lease term. The Group transfers the title of the leased equipment to the lessee after receiving the consideration.

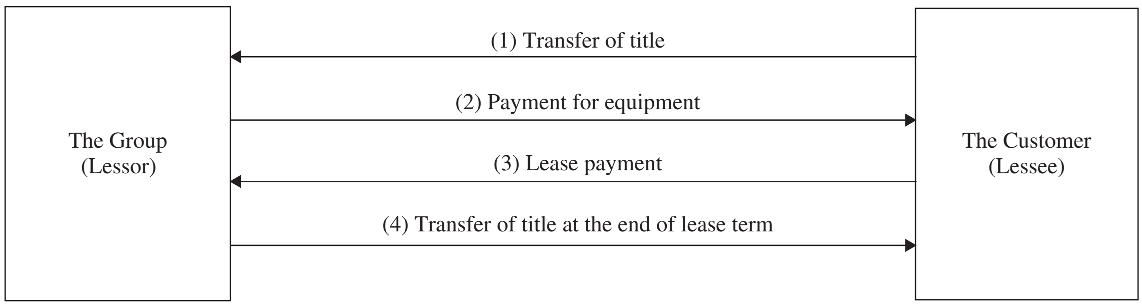
The following chart shows the relationships among the lessor, the lessee and the equipment supplier (if the lessee selects to purchase the leased equipment upon expiry of the lease term):



Sale-and-leasebacks

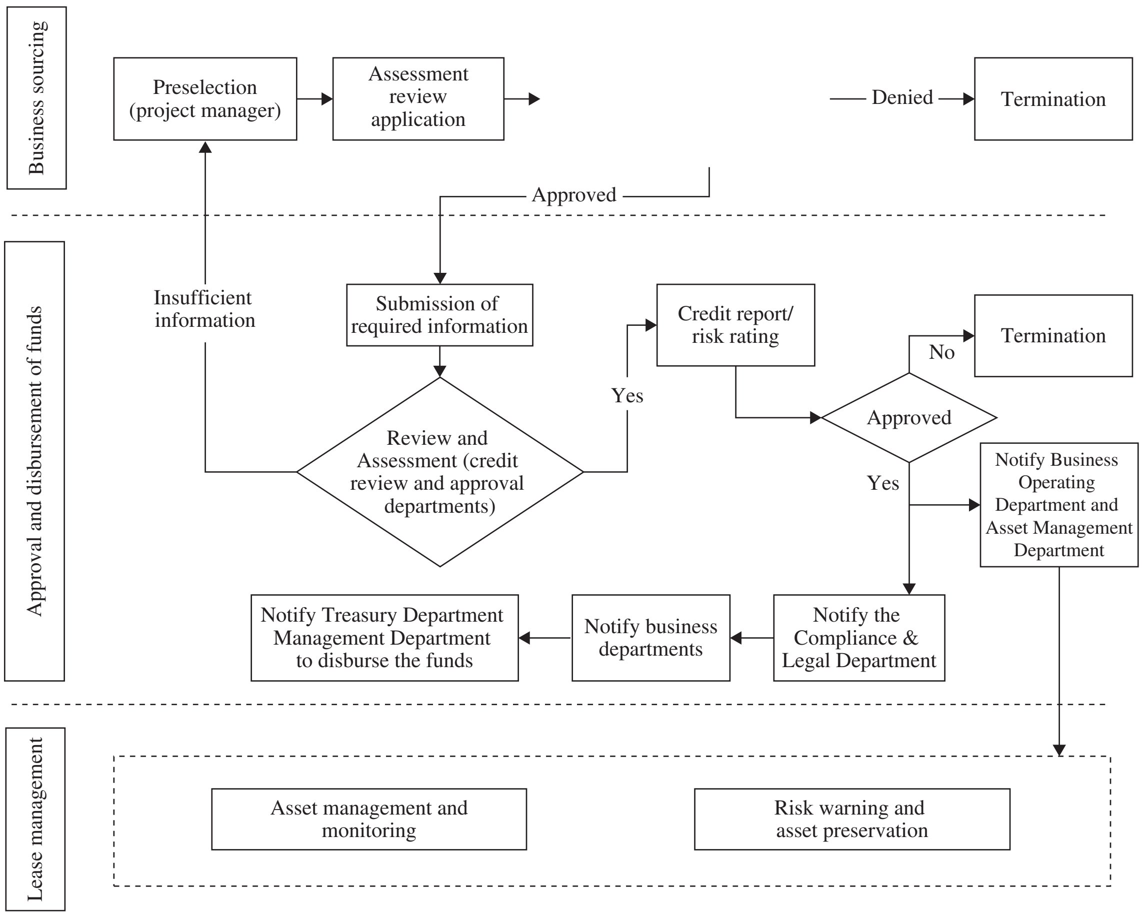
A typical sale-and-leaseback transaction involves two parties, namely a lessor and a lessee. In a sale-and-leaseback transaction, the lessee (customer) purchases the equipment from an equipment supplier using its own funds and then sells the equipment to the Group. The Group as the lessor leases the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

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



Financial Leasing Business Process

The Group has established a standardised financial leasing business process. The following chart illustrates the key steps of this process:



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

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

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

- ***Lease management***. The Group begins to conduct lease management through its Business Operating Department and Asset Management Department after disbursing funds to the customers. Lease management mainly includes lease payment management, leased equipment and customer management, and the management of finance lease receivables at risk. Lease payment management refers to the monitoring over the timing and amount of the lease payments. Leased equipment and customer management refers to the monitoring and inspections regarding the value and liquidity of the leased assets and the repayment ability of the lessees. Management of finance lease receivables at risk refers to the steps the Group takes to recover overdue lease payments.

Credit risk is the primary type of risk the Group faces in its financial leasing business. The Group maintains a set of rules and procedures to manage credit risks arising from its financial leasing business and implements these rules and procedures throughout its operational process.

Operating Leasing

Leases are classified as finance leases if substantially all of the risks and rewards associated with the title in the leased equipment are transferred to the lessee. Leases are classified as operating leases if substantially all of the risks and rewards associated with the title remain with the lessor. The Group's operating leasing business includes aircraft leasing. The Group conducts its aircraft leasing business primarily through Haitong UT Leasing HK, a wholly-owned subsidiary of the Guarantor. In 2019 and 2020, the Group acquired two and five aircraft, respectively. In 2021, the Group did not undertake to purchase any aircraft. As at 31 December 2021, the Group owned 17 aircraft (including seven Airbus narrow-body aircraft, two Airbus wide-body aircraft and eight Boeing narrow-body aircraft) with total carrying amount of approximately US$828.4 million. For the year ended 31 December 2021, the Group disposed of two Airbus narrow-body aircraft. The below table set forth the details of aircraft lease business as at 31 December 2021:

	The number of aircraft owned		
Model	**Self-owned aircraft**	**Aircraft purchased under commitment**	**Total**
Airbus A320	5	0	5
Airbus A321	2	0	2
Airbus A350	2	0	2
Boeing B737-800.	8	0	8
Total	**17**	**0**	**17**

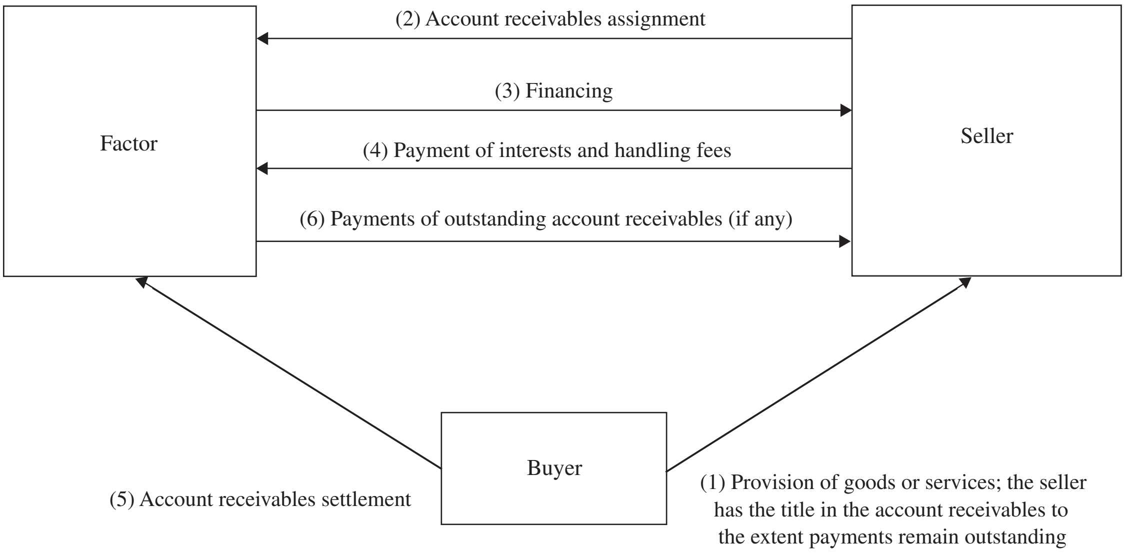
The Group relies primarily on acquisition of on-lease aircraft portfolios from reputable aircraft leasing companies to expand its aircraft fleet. The leases of these aircraft generally have a remaining term of five or more years. The Group considers a variety of factors before acquiring aircraft portfolios.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

As at 31 December 2021, all contracts in relation to aircraft purchase have been duly performed. For the years ended 31 December 2019, 2020 and 2021, the revenue generated from operating lease business of the Group was RMB433.6 million, RMB464.4 million and RMB451.1 million, respectively.

Factoring

The Group began to provide factoring services to expand its product offerings in November 2014. A typical factoring transaction involves three parties, namely the seller, the factor, and the buyer. A buyer has an obligation to pay an amount to the seller under a contract. In a factoring transaction between the seller and the Group, the seller sells the accounts receivable to the Group for financing, and the Group obtains the right to receive the payments from the buyer. For the years ended 31 December 2019, 2020 and 2021, the revenue generated from factoring business of the Group was RMB306.2 million, RMB312.1 million and RMB355.6 million, respectively.

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



The Group provides factoring to companies in various industries, including transportation & logistics, industrials, infrastructure and construction & real estate. In January 2017, the Group launched its online factoring services to meet the small-amount financing needs of small and medium logistics companies. In terms of the transportation & logistics industry, the Group reviews freight bills submitted by logistics companies through our online platforms, which enables it to provide them with accounts receivable financing faster. In August 2020, the Group decided to establish a commercial factoring subsidiary, Haitong Unitrust Commercial Factoring Co., Ltd.（海通恒信商業保理有限公司）, the name of which is temporary and is subject to the final approval of the regulatory authority and the registration authority for industry and commerce, to further facilitate the professional development of the factoring business of the Group.

Entrusted Loans and Other Loans

The Group began to provide entrusted loans in the PRC in 2015.

Pursuant to General Provisions on Lending (貸款通則), the entity which is engaged in extending loans is required to be approved by the PBOC and obtain and maintain the financial institution legal person licence or the financial institution operation licence issued by the PBOC. Though the Group cannot extend loans directly to a corporation or natural person as the Group does not possess the aforesaid approval and licences, it is permitted for it to provide financing to its customers through entrusted loans.

The Group determines the amount, applicable interest rate and other key terms of entrusted loans based on the customers' repayment ability, financing needs and the intended use of loan proceeds. In the recent years, most entrusted loans of the Group were secured loans with a tenor of less than three years. In the recent years, the Group primarily provided entrusted loans to customers in the transportation & logistics, industrials, infrastructure and construction & real estate industries.

For the years ended 31 December 2019, 2020 and 2021, the revenue generated from entrusted loans and other loans business of the Group was RMB71.3 million, RMB39.7 million and RMB22.6 million, respectively. The decrease of revenue from entrusted loans and other loans for the year ended 31 December 2021 as compared with the same period in 2020 was mainly due to the prudent approach adopted by the Group in entering into new entrusted loans and other loans business. Correspondingly, the balance of entrusted loans and other loans amounted to RMB1,181.4 million, RMB793.9 million, RMB717.6 million as at 31 December 2019, 2020 and 2021, respectively.

Advisory Services

The Group provides advisory services primarily to its financial leasing and factoring customers. From 2019 to 2021, the Group's advisory services generally expanded as its overall business developed and its customer base grew. For the years ended 31 December 2019, 2020 and 2021, the revenue generated from advisory services of the Group was RMB1,065.4 million, RMB1,148.8 million and RMB1,281.7 million, respectively.

The Group tailors the scope of its advisory services to meet customer needs. The scope of its advisory services generally covers:

- ***Leasing transaction structure:*** basics of leasing transaction structure;

- ***Financial leasing know-how and market developments:*** basics of financial leasing transactions, the leasing market dynamics, and analysis regarding innovative leasing products and relevant government policies;

- ***Finance:*** accounting treatment and tax matters typically involved in financial leasing transactions;

- ***Macro-economy and strategy:*** analysis of domestic and international macroeconomic trend, significant government policies and market trend; and

- ***Industry analysis:*** analysis of the conditions, government policies and market dynamics of the industries in which customers of the Group operate, including, but not limited to, energy and environmental protection, education, healthcare, construction, electronic, machinery and the chemical industries.

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

The Group signs advisory service agreements with its customers and charges service fees for its advisory services. The amount of advisory fees the Group charges may vary depending on a variety of factors, including (i) the scope of the advisory services, (ii) the importance of its advisory services to customers of the Group, (iii) relationships with customers, and (iv) the importance of customers to businesses of the Group in general.

Principal Industries

The Group serves customers in a wide range of industries, including transportation & logistics, industrials, infrastructure, construction, healthcare, paper and printing, agriculture, food, mining, wholesale and retail, chemistry, education and textile. When the Group determines the industry classification of the individual transactions with its customers, the Group generally makes reference to the general industry guidelines issued by competent authorities and classification of the Group may involve its judgment based on the nature of the transactions between the customers and the Group.

Revenue of the Group consisted primarily of interest income generated from financial leasing, factoring, entrusted loans and other loans, and its interest-earning assets comprised finance lease receivables, factoring receivables, entrusted loans and other loans.

In September 2014, the State Council issued Opinion No. 43. Opinion No. 43 requires that:

(i) local governments shall strengthen their debt management and engage in debt financing activities in compliance with laws and regulations; local governments' debts shall only be borrowed by government agencies or departments and may not be borrowed through any enterprises or public institutions;

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

(iii) local governments shall deal with their existing debts in an appropriate manner. Governments at all levels shall formulate contingency plans and establish accountability mechanisms. When local governments have difficulties in debt repayment, they should raise funds to repay debts through multiple channels by controlling the scale of projects, compressing public funds, and disposing of existing assets. When it is difficult for local governments to repay their debts by themselves, they should report it in time. The governments at the same level and at higher levels should start the emergency response plan and accountability mechanism for debt risks, effectively resolve the debt risks, and investigate the responsibilities of relevant personnel.

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

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

After the publication of Opinion No. 43, certain finance lease contracts between the Group and local government agencies were terminated, which did not have a material adverse effect on the Group's financial position. If local government agencies request to terminate their contracts with us based on their respective funding resources, the Group will cooperate and negotiate with such local government agencies on the arrangements for relevant contracts in accordance with applicable laws and regulations. If the outstanding finance lease contracts are terminated, the Group expects it will be able to recover the principal amounts and allocate the funds to other financing projects, and, as a result, it believe that the termination of these finance lease contracts will not have a material adverse effect on the Group's financial position.

Transportation & Logistics

The Group offers financial leasing, operating leasing, factoring, entrusted loans and other loans, as well as advisory services to its transportation & logistics customers. The Group continued to grow its transportation & logistics business to grasp the opportunities presented by China's fast-growing automobile leasing industry. The transportation & logistics business of the Group grew rapidly in recent years.

Commercial Vehicle Leasing

The Group leases commercial vehicles, primarily heavy trucks, to private business owners and micro– and small-sized logistics companies. The commercial vehicle leasing business of the Group grew rapidly in recent years. The Group strives to provide its customers with faster and more accessible commercial vehicle financing services by using standardised due diligence and credit review processes and standard form leasing contracts. The Group adopts localised marketing strategies to promote its commercial vehicle financial leasing services through its local sales team covering 30 provinces across the country.

Passenger Vehicle Leasing

The Group provides financial leasing for passenger vehicles to retail customers and to corporate customers to meet their financing needs for group purchases of passenger vehicles. The Group markets its passenger vehicle financial leasing business primarily through authorised service providers across the country. The Group enters into agency arrangements with service providers, pursuant to which service providers are responsible for cooperating with local auto dealers and 4S stores to market the financial leasing services of the Group to individual automobile owners. The service providers are also responsible for assisting the Group in accepting customer applications, conducting on-site contract signing and handling mortgage registration. In response to changes in sales models, the Group also cooperated with Internet-based mobile sales and service platforms in 2019 to increase channels to increase customer base.

In response to the rapid development of the Internet, the Group launched its Internet-based online leasing product through a mobile application in 2015. The Group provides financing in the form of sale-and– leaseback of passenger vehicles to customers who are owners of automobiles with good credit.

Modern Logistics

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

Industrials

The Group is committed to serving China's real economy in accordance with Chinese government's economic and industrial policies, such as the supply-side structural reform and the "Made in China 2025" initiative. The Group offers diversified financing services for industrial sector customers to finance their equipment purchases and provide liquidity for their fixed assets.

The services the Group provides to industrial customers are primarily financial leasing, and the equipment the Group leases to such customers mainly includes various types of production, communication and environmental protection equipment. The Group also provides industrial customers with factoring, entrusted loans and advisory services.

The Group serves customers across a wide range of industrial sectors, including high-end manufacturing, clean energy, automobile manufacturing, new materials, consumer electronics, and communication technologies. The Group targets customers with growth potentials and accesses to the capital markets, as well as customers operating in industries encouraged by government policies. The industrial customers of the Group consists primarily of large-and medium-sized SOEs at central and local levels, listed companies, and innovative privately-owned enterprises engaging in manufacturing and emerging industries with strategic value.

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

Infrastructure

The Group provides financing services to enterprises engaging in the development and operation of transportation (such as civil aviation, highways, ports, and urban and intercity public transit), urban services, water, environmental protection, energy and big data centre. The Group provides financing to its infrastructure customers primarily through finance leasing. The Group also provides its infrastructure customers with factoring, entrusted loans and advisory services.

The Group has a large, established infrastructure customer base. The Group is committed to providing infrastructure customers with diversified financial solutions by leveraging its extensive experience and high-quality services. In 2020, under the impact of the COVID-19 pandemic, the government heavily invests in conventional and emerging infrastructure constructions. The Group thus established an extensive and strong customer base in this field.

The Group also takes a proactive approach to provide financing services to the participating parties in public-private partnerships (PPPs) which are led by local government for infrastructure development and maintenance projects. PPPs refer to the long-term cooperative arrangements between private investors and government agencies which are widely used for infrastructure and public services projects. As PPPs are used for large infrastructure projects and usually generate stable cash flows over a long term, the Group plans to provide the project company and other project participants with financial leasing, factoring and entrusted loans. In December 2017, the Group, together with Xiamen Anneng Construction Co., Ltd., won the bids for two PPP projects, namely Longyao County Zhihe Water System Project （隆堯縣泜河水系連通項目） and Longyao County Zhihe Riverside Park Landscape Project (隆堯縣泜河濱水公園景觀工程).

In addition, in May, July and August 2018, the Group established subsidiaries in Shandong Province, Shanghai and Hebei Province, respectively, which are focused on providing financing services to government-led public facilities, road, housing and hydroelectricity projects under PPP and government procurement models.

In addition, the Group seeks to offer financial leasing and factoring services to companies which are a party to government procurement arrangements. Government procurement arrangements refers to the arrangements between government agencies and qualified enterprises, pursuant to which the government agencies engage such enterprises to provide certain public services and pay for such services within the government agencies' fiscal budgets.

Construction

The Group provides financial services to enterprises engaging in the construction of transportation facilities, industrial buildings, residential housing and public service facilities, as well as real estate enterprises. The equipment the Group leases to construction customers primarily includes various construction equipment, such as tower cranes, bulldozers and excavators. The Group's construction enterprise customers are mostly SOEs at central and local levels and listed companies with annual revenue of RMB2.0 billion or more, most of which have top-grade or first-grade qualifications for engineering and construction.

Healthcare

The Group provides financial services to various types of general and special hospitals, healthcare enterprises and local bureaus of healthcare.

The services the Group provides to healthcare customers are primarily financial leasing services, and the equipment the Group leases to these customers primarily include medical imaging systems, medical examination equipment and disinfection equipment. The Group also provides its healthcare customers with factoring and advisory services.

The Group's healthcare customers currently consist primarily of public hospitals. The Group plans to continue to expand its healthcare customer base to capture opportunities presented by the increasing market demands for customised, high-end healthcare services. The Group plans to continue to focus on providing financing to public and private hospitals, as well as clinics, to meet their financing needs related to medical equipment procurement, working capital and facility construction. At the same time, the Group also plans to provide innovative financing services and products to emerging customers such as imaging and diagnostic centres, rehabilitation centres, medical examination centres, ophthalmology clinics, as well as suppliers and, processing and distribution services providers. In addition, through its branch network, the Group seeks to provide financing to strategically-selected customers, including dental clinics, private hospitals and high-end healthcare providers, which have sound credit record and growth potential to support their business expansions and equipment upgrades.

In addition to serving healthcare providers, the Group also provides financing to high-growth medical and healthcare companies, such as pharmaceutical enterprises, medical device manufacturers and genetic– testing and bio-pharma companies to support their expansion of production capacity and research and development.

Other Industries

In addition to serving the above industries, the Group also provides financial leasing, factoring, entrusted loans and advisory services to customers in other industries, including paper and printing, agriculture, food, mining, wholesale and retail, chemistry, education and textile.

Customers

The Group has a diverse customer base that mainly includes LME customers, enterprises with a leading position in the industry, MSE & retail customers. The Group adopts a customer development strategy with a view to developing a balanced customer base. The Group is strategically focused on developing and maintaining relationships with LME customers for sourcing large projects. The Group also continually develops MSE & Retail customers, which brings new profit opportunities. The Group defines an MSE customer as an enterprise with an annual revenue of RMB100 million or less with a maximum net financing amount of RMB10 million under any single contract with the Group. LME customers refer to enterprise customers other than those classified as MSE customers. In 2021, in response to the COVID-19 pandemic, the Group actively adjusted profit expectation from the real economy and put great efforts in supporting MSEs to overcome the tough times brought by the COVID-19 pandemic.

LME CUSTOMERS

The Group has a broad LME customer base. The Group primarily targets creditworthy LME customers with strong repayment capability, such as central and local SOEs, listed companies, companies applying for listing as well as other enterprises with growth potentials. The Group is dedicated to tap into the financing needs of enterprises in the new and traditional infrastructure construction and healthcare industries, with a focus on developing high-end and inclusive healthcare service projects.

MSE & RETAIL CUSTOMERS

The Group has been strategically cultivating its business with MSE & Retail customers for more than ten years and has gained rich experience, which enables it to maintain long-term and stable relationships with its MSE customers. The Group established a business unit, which later became its MSE subsidiary, focusing on providing financial services to quality MSEs that benefit from China’s ongoing economic transformation.

MSE customers of the Group are primarily from the industrials, transportation & logistics and healthcare industries. Financial leasing, factoring and advisory services are the main types of services the Group provides to its MSE customers.

The Group also has a large retail customer base. The services the Group provides to its retail customers are mainly financial leasing services for commercial and passenger vehicles.

The Group has established a separate set of risk management rules and procedures for MSE & Retail customers, including differentiated credit review guidelines, credit rating scorecards and supplier selection standards.

Customer Concentration

For the years ended 31 December 2019, 2020 and 2021, the revenue from five largest customers of the Group in total accounted for 5.46 per cent., 4.54 per cent. and 4.59 per cent., respectively, of the total revenue of the Group. The Group has no major suppliers due to the nature of its business.

Marketing

The Group has established a two-tiered marketing structure. The Group implements a "One Body, Two Wings" business development strategy, pursuant to which the Group has built up expertise in strategically-targeted industries and customer segments with its seven specialised business departments at the headquarters. On the other hand, the Group has efficiently established a branch network to serve local customers and to deepen its presence in local markets.

The business departments at the headquarters level are one of the "two wings". These business departments include Public Services Department, Construction Department, Advanced Manufacturing Business Department, Digital Environmental Protection Business Department, Healthcare Business Department, Asset Transaction and Structured Financing Department and Project Management Department.

The Group's branch network is the other wing of its marketing structure. Branches of the Group are at the core of the branch network. The Group has been strategically establishing branches in directly-controlled municipalities and provincial capitals, and in other cities in economically– developed areas. The Group believes it has a leading position in terms of local branch network in the PRC financial leasing industry. The Group's localised branch network enables it to have wider market coverage, respond to customer demands more quickly, and capture local business opportunities more effectively. As at 31 December 2021, the Group has also established 17 branches across China and 12 directly-held subsidiaries in areas including Hong Kong, Tianjin and Shanghai.

The Group actively seeks opportunities for cross-selling and coordinated marketing with Haitong Securities as a key part of its marketing strategies. As Haitong Securities' sole leasing platform, the Group benefits from cross-selling with Haitong Securities as it enables the Group to improve customer loyalty. The Group shares customer and industry information with Haitong Securities in order to improve its marketing efficiency. The Group also seeks to develop quality customers, through Haitong Securities' referrals, from its customers base for its various business lines, such as equity and bond underwriting, merger & acquisition and restructuring, brokerage, and direct investment.

In addition, the Group actively markets its services through partner relationships with manufacturers, automobile dealers and agents, to capitalise on their leading positions in specific industries and regions.

Information Technology

The Group's IT systems are integral to many aspects of its business operations. The Group is committed to building an IT system framework commensurate with its governance structure and business development, with a view to satisfy its current operational demands and to support its business growth and innovation of products and services.

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

Advanced IT infrastructure is vital to managing all categories of risks. The Group uses redundant systems, firewalls and terminal safeguarding solutions to protect it against threats from malicious software and programmes. The Group also uses its IT systems to monitor various risk control indicators on a continuous basis. In 2019, the Group introduced the customer service telephone software, which queues the incoming calls and automatically forwards the calls not responded within a short period to the vacant agents to minimize the waiting time of the customers. Meanwhile, the Group explored to improve its customer service level with financial technology and launched the WeChat official account named "Haitong UniTrust Connect", which features the automatic inquiry function based on frequently asked questions and common requirements of customers, thus effectively improving the service coverage and response efficiency.

The Group currently outsources the development and maintenance of certain IT systems to outside vendors. The Group mitigates the risks of leakage of confidential information and commercial secrets through various measures, such as source code control, access control, and regular assessment of the service-level agreements, or SLAs, between it and the vendors. The Group continually monitors key operational and financial indicators of its outsourcing vendors. The Group devotes substantial resources each year to improve the security and stability of its IT systems.

Financing Capabilities

The Group's financing sources consist primarily of borrowings and issuance of debt securities.

The Group funds its business operations primarily through borrowings. The Group's borrowings consist primarily of bilateral loans, syndicated loans, income certificates issued by it and borrowings from its related parties. The Group borrows from various types of financial institutions, including policy banks, state-owned banks, joint-stock commercial banks, city commercial banks, foreign-invested banks, and other non-bank financial institutions. The Group also raises funds through syndicated loans.

The Group also actively raises funds through direct financing channels, and the proportion of direct financing in its total indebtedness has continued to grow. The Group conducted direct financing primarily through issuance of various types of notes, bonds, commercial papers, asset-backed securities and perpetual medium-term notes.

The Group is committed to optimising its assets and liabilities portfolio, business structure and financial indicators in order to improve its corporate credit rating and lower its financing costs. the Guarantor's credit rating in China has been maintained at AAA since April 2017, according to Shanghai Brilliance Credit Rating & Investors Service Co., Ltd., a well-recognised PRC rating agency. The corporate credit rating of the Group lays a solid foundation for further lowering financing costs. The Group manages its balance sheet by maintaining a reasonable level of asset-liability ratio. The Group makes reasonable use of financial leverage and closely monitors its asset-liability ratio to prevent potential liquidity risks. The Group believes that its asset-liability ratio was maintained at a reasonable level in the recent years.

The Group seeks to expand its financing channels and lower its financing costs primarily through the following measures:

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

The Group seeks to effectively manage its funding sources commensurate with its business and asset growth on an ongoing basis through regular review and adjustment of its funding sources in response to the changes in its internal and external business environments. The Group manages liquidity risk by regularly monitoring its maturity profile of its assets and liabilities. The Group identifies and measures the impact of interest rate changes on its business operations through sensitivity analysis and other tools and has built routine tracking and reporting systems to further enhance its research capabilities of analysing interest environment and forecasting the changes in interest rates.

Competition

The PRC financial leasing market is highly competitive. The Group competes primarily with CBIRC– regulated financial leasing companies, MOFCOM-regulated domestic-funded financial leasing pilot companies, as well as MOFCOM-regulated foreign-funded financial leasing companies excluding the Group.

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

Intellectual Property Rights

As at 31 December 2021, the Group has registered 34 trademarks and eight domain names in the PRC. The Group does not license any of its intellectual property rights to any third parties. The

Group has not been subject to any material infringement of its intellectual property rights or allegations of infringement by third parties.

Insurance

The Group maintains property insurance for assets underlying its leases to cover any loss or damage to such assets during the lease terms. In line with the industry practices, customers usually pay the insurance premium and the Group is named as the beneficiary of such insurance.

Based on industry practices in the PRC, experience in running businesses, the availability of insurance products in the PRC and advice received from insurance agents, the Group has maintained such insurance coverage as it considers necessary and sufficient for its operations and customary for the industry in which it operates. Moreover, its policies are subject to standard deductibles, exclusions and limitations. Therefore, insurance might not necessarily cover all losses incurred by the Group and it cannot provide any assurance that the Group will not incur losses or suffer claims beyond the limits of, or outside the relevant coverage of, its insurance policies.

The Group's insurance policies are generally underwritten with reputable insurance providers, and the Group reviews its insurance policies annually.

Employees

The Group has a team of high quality and professional employees. As at 31 December 2021, the Group had 1,807 full-time employees, of which, approximately 78.0 per cent. possess bachelor's degree or above or tertiary level of above, and 21.2 per cent. of the employees possess master's degree or above or postgraduate level or above.

Professional and high quality employees are the foundation of the Group's long-term growth. The Group is committed to building a competitive and fair remuneration and benefits system that is compatible with its position system in order to attract and retain quality personnel. The Group has adopted a promotion system comparable to the managing director hierarchy widely applied by the investment banking industry to further broaden channels for employees' promotion. Through building a multi-tiered talent pool, the Group develops mechanisms to retain, select and nurture talents and to enhance the team-work spirit and loyalty of its employees. The Group is committed to improving professionalism of its employees and has established an employee training system with rich contents and in diverse forms. The Group has established a training system covering programs, resources and practices to support the strategies and services of the Group. In response to the COVID-19 pandemic, "Precautionary Measures" online training program and "Live Class" policy introduction program were organized to facilitate the implementation of business policies. With the establishment of a data base for training management, the Group used a digital platform to improve its digitalised training management and intelligent application. "Sailing Plan (遠航項目)" for management training, "Set Sail Plan (啓航項目)" for officer training and "Spark Plan (星火計劃)" and "Sailing Operation (揚帆行動)" for young talents were conducted to provide training on talent promotion. In the year ended 31 December 2021, the Group conducted 204 trainings in total with 13,456 participants.

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. 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. In addition, the Group adopted an annuity plan for its employees in December 2017, pursuant to which it makes monthly contributions to the annuity fund at fixed rates of the employees' salaries and bonuses. It also offers employees benefits such as supplemental medical insurance and annual health check-ups.

As at 31 December 2021, there were no strikes, protests or other material labour conflicts that materially impaired its business and image. The Group has established a labour union, and has maintained a good relationship with its employees, who are valued at all times.

Other Matters

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

In November 2016, the Guarantor entered into a finance lease-back agreement with Liaoning Huishan Dairy Group Fengyuan Animal Husbandry Co., Ltd. (遼寧輝山乳業集團豐源牧業有限公司) ("**Huishan Fengyuan**") ("**Finance Lease-back Agreement**") with 227 farm facilities as the leased assets. Huishan Fengyuan is a subsidiary of China Huishan Dairy Holdings Company Limited ("**Huishan Dairy**"). According to an asset transfer agreement entered into by Huishan Fengyuan and the Guarantor pursuant to the Finance Lease-back Agreement, the Guarantor, the lessor, obtained the legal ownership of the 227 farm facilities as the leased assets from Huishan Fengyuan, as the lessee, and the Guarantor is entitled to hold such legal ownership during the lease term. Huishan Fengyuan made the first instalment of lease payment under the Finance Lease-back Agreement in February 2017.

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

Huishan Diary and its subsidiaries has applied for restructuring. The Guarantor's claim against Huishan Diary has been admitted by the restructure manager and the restructure plan has been approved. In September 2020, the restructure manager confirmed the amount of the Guarantor's claim against Huishan Diary is RMB360 million minus the market evaluation value of the leased assets (or the repurchase value of the leased assets), and is unsecured. As at 16 February 2022, the Guarantor has entered into a repayment agreement with Huishan Diary and Liaoning Yuexiu Huishan Holding Co., Ltd. (遼宁越秀輝山控股股份有限公司). By the end of 2021, approximately RMB8.3 million has bee repaid to the Guarantor.

Laws and Regulations

Licensing Requirements

The Group conducts its business mainly in the PRC and is therefore subject to applicable PRC regulatory requirements. The Group has complied with the relevant PRC regulatory requirements and guidelines in all material respects and, except as otherwise disclosed in "*Description of the Group – Laws and Regulations – Regulatory Non-compliance Incidents*", the Group has obtained all the approvals, licences and permits necessary for its operations in the PRC in accordance with the PRC laws and regulations. The approvals, licences and permits required for its operations in the PRC primarily include enterprise business licence, foreign investment enterprise approval certificate and medical equipment business operation licence issued by local branches of the SAMR, MOFCOM and other PRC government agencies. The medical equipment business operation licences held by the Guarantor and Haitong UniTrust FTZ will be valid until 24 February 2027 and 12 June 2022, respectively. Regarding other licences and permits without expiry date, neither the licences and permits themselves indicate any expiry dates, nor have the issuance authorities issued further instructions regarding expiry dates.

Legal Proceedings

The Group is involved, from time to time, in legal proceedings arising in the ordinary course of its business. Most of these legal proceedings involve claims initiated by it to recover payment of finance lease receivables from its customers. Legal proceedings against it are mainly in relation to disputes arising from the business contracts between it and its financial leasing customers or factoring customers. As at the date of this Offering Circular, save as disclosed in this Offering Circular, there are no pending legal proceedings that could have a material adverse effect on the Group's businesses, financial condition and results of operations.

Regulatory Compliance

The Group is subject to a number of regulatory requirements and guidelines issued by the regulatory authorities in China (including, but not limited to, the MOFCOM, CBIRC, SAFE, SAOT, SAMR and their respective local branches and offices). From 1 January 2019 to the date of this Offering Circular, neither the Group nor its employees have been involved in material regulatory non-compliance incidents that have led to regulatory fines. The Group may be involved in regulatory non-compliance incidents from time to time. Please see "*Risk Factors – Risks Relating to the Group's Business – The Group may not be able to detect or prevent breach of law or other misconduct committed by its employees or third parties.*"

PRC regulatory authorities, including the MOFCOM, CBIRC, SAMR, SAFE, SAOT and certain other PRC government agencies and their respective local branches and offices, may carry out periodic or *ad hoc* inspections, examinations and inquiries in respect of compliance with applicable laws, regulations, guidelines and regulatory requirements. There were no material regulatory inspection issues or material incidents of regulatory non-compliance from 2019 to the date of this Offering Circular.

Risk Management

The Group is exposed to various risks in its business operations, including credit risk, liquidity risk, market risk, operational risk, compliance and legal risk as well as reputational risk. Credit risk is the primary type of risk faced by it.

The Group adopts a prudent risk management philosophy. The Group maintains a comprehensive risk management system and implements various risk management measures throughout its business operations. The Group continually improves its comprehensive risk management system to enhance its overall risk management capability and core competitiveness. The goal of its risk management efforts is to maintain risks at a tolerable level and to maximise its risk-adjusted return. The Group engages in risk management under the comprehensive risk management framework of Haitong Securities. The Group reports key risk indicators to Haitong Securities and is supervised by Haitong Securities in terms of the reporting of such risk indicators. The Group maintained satisfactory asset quality during the recent years. As at 31 December 2019, 2020 and 2021, the NPA ratio of the Guarantor's interest-earning assets (finance lease receivables, factoring receivables, entrusted loans and other loans) was 1.08 per cent., 1.10 per cent. and 1.07 per cent., respectively.

Credit Risk Management

Credit risk is the primary risk that the Group faces in its financial leasing, factoring and entrusted loans and other loans businesses. The Group has in place a set of credit risk management rules and procedures that are applied to its financial leasing, factoring and entrusted loan and other loans businesses. Unless otherwise indicated, the risk management measures associated with financial leasing business as described below are also applied to the Group's factoring business and entrusted loan business. The Group continually adjusts and improves such rules and procedures in accordance with its business strategies and in response to changes in the macro-economy as well as the political and regulatory environment. The Group has formulated and implemented specific risk management measures for its aircraft leasing business.

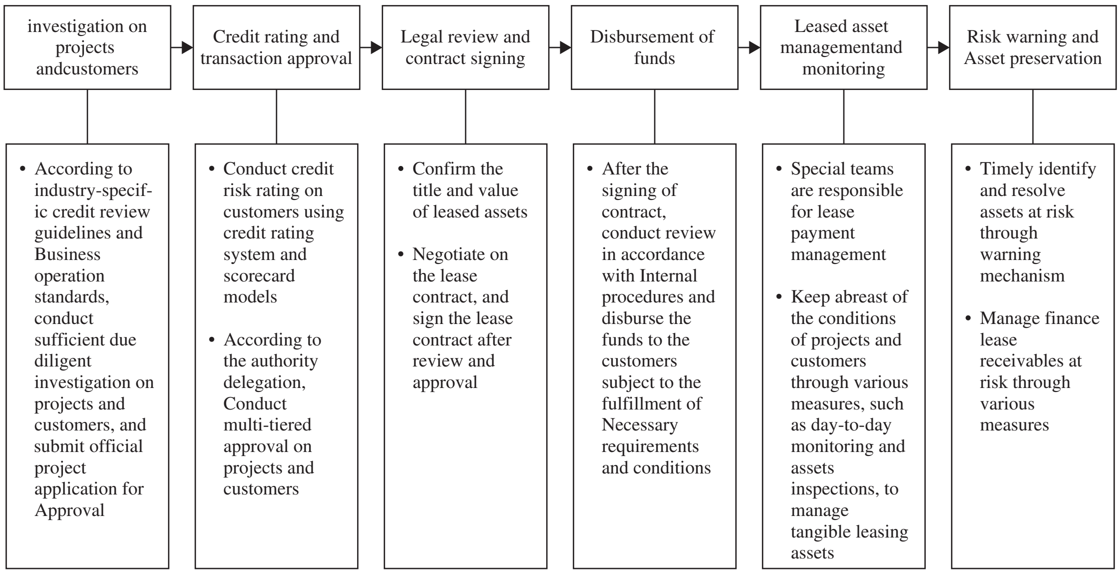
Industry Selection

The Group selects industries based primarily on the research and analysis on the macro-economy, industries and government policies carried out by its business team, credit review team and risk management team. Based on their risk levels, the Group categorises the industries in which its customers operate into four categories, namely "prioritised support", "moderate support", "cautious entry" and "reduction & exit" and adopt differentiated credit review and approval standards. The Group takes into consideration a variety of factors when performing preliminary assessment of new industries. The Group carries out business in the new industries on a pilot basis if the Group finds the risk/return profile attractive. Senior management of the Group has the final say on whether to enter such industries. Upon the approval of the Group's senior management, the Group will formulate credit review guidelines and operational standards and officially begin to engage in such industries.

The Group adopts different risk review approaches for different industries and formulates industry– specific credit review guidelines. These industry-specific credit review guidelines cover a wide range of industries, such as infrastructure, transportation & logistics, industrials, education, healthcare, and construction & real estate. The credit review guidelines will be implemented upon approval. The Group reviews and amends its industry-specific credit review guidelines to respond to changes in the macro economy and industrial policies.

Project Process Management

The Group has formulated a standardised project management process and implements various credit risk management measures throughout this process. The diagram below illustrates the major stages of this process:



Credit Enhancement Measures

As a lessor, the Group holds the title in the leased equipment as its primary security method. In a finance lease transaction, the Group has the right to enforce its security rights by disposing of the leased equipment to recover its losses if the customer defaults. The Group is entitled to repossess the leased assets in the event of a customer default.

The Group requires certain lessees to provide additional third-party guarantees, mortgages or pledges. The Group may require a lessee to provide more than one type of security, depending on such lessee's credit record and level of risk associated with the Group's finance lease with it. The Group also assesses the guarantor's creditworthiness as well as the ownership and value of the pledged assets and the feasibility of enforcing the pledge. If there is any material and adverse change in the value of the leased assets and pledged assets or the credit status of the guarantor, the Group may require the lessees to provide additional security.

Risk Limit Management

In order to manage the risks arising from the over-concentration of assets with the same attributes in asset portfolio, the Group has established a set of concentration limits comparable to those required under the CBIRC risk management regulations.

Asset Portfolio Management

The Group manages its leased assets portfolio primarily through asset classification, provision and allowance management and NPA management.

The Group adopts a five-category asset classification system comparable to the one under the Guidelines on Risk-based Loan Classification for banks issued by the CBIRC. The Group classifies its interest-earning assets into five categories based on their risk levels, and identifies assets in the last three categories as NPAs. Apart from the above classifications, the Group further classifies its interest-earning assets into 14 grades, including four grades for "normal", three grades for "special mention", three grades for "substandard", three grades for "doubtful" and one grade for "loss". The Group classifies its assets based on risks on a monthly basis.

The Group makes allowance for impairment losses in accordance with its internal provisioning policies. The Group performs individual assessments to determine the allowance for impairment losses against individually significant assets, if there is objective evidence of impairment. Assets that are not considered individually significant are collectively assessed as a group with similar credit risk characteristics for the purpose of determining the allowance for impairment losses. The Group also makes special provisions for assets associated with particular countries, regions, industries and certain types of assets.

Based on the probability of recovering NPAs, the progress of the recovery and disposition of NPAs, and the importance of relevant transactions, the Group takes various measures to recover the credit assets. In addition, the Group writes off NPAs that cannot be recovered and meet the conditions for write-offs in accordance with the write-off policies. The Group continues to collect the NPAs after they have been written off to reduce its losses.

Risk Management of Aircraft Leasing Business

The Group is exposed to credit risks associated with its aircraft leasing business, namely the risk of losses if its airline company customers are unable to perform their contractual obligations when they become due. The Group manages such risks primarily through the following measures: (i) the Group uses dedicated credit rating model to assess the creditworthiness of airline companies; (ii) the Group analyses the conditions of an airline company; (iii) the Group conducts due diligence investigations on the airline company to collect information and prepares written due diligence reports; (iv) the Group maintains a "white list" for creditworthy airline companies, reviews such list annually and updates it on a dynamic basis and only engages in businesses with airline companies in the white list; and (v) the Group monitors the financial condition and credit status of an airline company customer on an ongoing basis after the lease term begins.

Liquidity Risk Management

The Group improves its 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 its assets and liabilities. The Group has established specific liquidity risk management measures which set out the objectives, principles, division of responsibilities and specific measures for liquidity risk management. The Group assesses liquidity risk appetite, liquidity risk management strategies, policies and procedures at least once a year, and revises them as necessary, taking into account factors such as business development, technology updates and market changes.

Management of Liquidity Risk Control Indicators

The Group has developed a series of risk control indicators designed to identify and track liquidity risk based on Basel III. The indicators mainly include cash reserves, short-term liquidity ratio, medium-term liquidity ratio, liabilities-to-asset ratio and capital ratio, and cover short-, medium-and long-term liquidity risks. The Group has set thresholds for these indicators to identify and determine its liquidity status, and established warning, reporting and contingency plans in respect of liquidity risk.

Daily Management of Liquidity Risk

In its daily management of liquidity risk, the Group manages the risks mainly from perspectives such as credit line, asset and liability structure, debt maturity structure, liability-to-asset ratio, liquidity management of reserve funds and daily liquidity risk.

Stress Testing and Contingency Management Plan

Through liquidity stress testing, the Group can make reasonable tests and judgments on the liquidity impact of various scenarios, understand and strengthen its liquidity management system, and avoid the shortage of capital inflows to cover capital outflow. Stress tests can be conducted for a particular business, a specific business line or its whole business. The scenarios assumptions include but are not limited to credit market shrinking, decreased recovery ratio of lease payment, early repayment of certain loans and unexpected large projects. The Group grades liquidity risks based on liquidity status and availability of external financing, and formulates different contingency plans according to different grades. After formulating contingency plans, the Group regularly tests and reviews them, and makes amendments to them if necessary.

Market Risk Management

Interest Rate Risk Management

The Group has formulated and implemented internal guidelines on interest rate risk management, with specific requirements on matters. The Group measures the impact of interest rate changes on its operations primarily through interest rate sensitivity analysis which is used to calculate interest rate sensitivity gap, namely the difference between interest-earning assets and interest-bearing liabilities that are due or need to be re-priced within a particular period. The Group seeks to control interest rate sensitivity gap by closely monitoring the market and adjusting its asset/liability structure. The Group has also established a reporting mechanism that requires it to regularly report the results of sensitivity analysis and the status of its interest rate management activities to the management on at least a monthly basis.

Exchange Rate Risk Management

Exchange rate risk of the Group is mainly attributable to the mismatch of the currencies of assets and liabilities of the Group. The Group identifies and measures the effects of changes in exchange rate on its operations mainly through exchange rate sensitivity analysis. In addition, the Group seeks to hedge exchange rate risks by actively adjusting its asset/liability structure and using derivatives such as currency forwards. The Group proposes hedging transactions based on its overall risk exposure, risk management strategies as well as the market conditions and trends. The Group evaluates its hedging transactions and monitors the financial conditions of its counterparties on an ongoing basis so as to ensure that the associated counterparty risk does not exceed the maximum position for that counterparty. The Group reports the results of the monitoring of its hedging transactions to its management on a regular basis to provide them with guidance for conducting future transactions.

Legal & Compliance Risk Management

The compliance & legal department is primarily responsible for managing legal and compliance risks, refining contract documents, and providing legal and compliance support for business operations through studying relevant laws and regulations. The Group designates the asset management department to control the legal risk of managing NPAs. In addition, the Group has formulated a series of policies and procedures for the factoring business operation, on-site signing of contracts and confirmation of leased asset title, in order to effectively protect its interests and minimise its legal risk.

Operational Risk Management

Operational risk refers to the risk of losses associated with deficiencies in internal processes, human errors and IT system failures, or impact from external sources. Measures to manage operational risk of the Group include, but are not limited to, establishing policies and manuals, collection of lost data, business continuity management and insurance. The Group has implemented a variety of measures to strengthen its operational risk management according to recommendations of its internal control adviser.

Reputational Risk Management

The Group has reputational risk management policies, rules and procedures as well as the processes for identifying, monitoring, assessing and reporting reputational risks and resolving material reputational risk events under its comprehensive risk management framework. The Group has established a media affairs management team to manage its media-related matters, including management of public relations with media, public opinion monitoring and management of public relations in crisis, in order to closely monitor and properly resolve reputational risk events.

Internal Audit

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

MANAGEMENT

Directors

The members of Board of Directors of the Guarantor as at the date of this Offering Circular are as follows:

Name	Age	Position
Mr. DING Xueqing (丁學清)	58	Chairman of the Board and Executive Director
Mr. REN Peng (任澎)	59	Non-executive Director
Ms. HA Erman (哈爾曼)	46	Non-executive Director
Mr. LI Chuan (李川)	39	Non-executive Director
Ms. ZHOU Jianli (周劍麗)	49	Executive Director and General Manager
Mr. WU Shukun (吳淑琨)	49	Non-executive Director
Mr. ZHANG Shaohua (張少華)	54	Non-executive Director
Mr. JIANG Yulin (蔣玉林)	63	Independent Non-executive Director
Mr. YAO Feng (姚峰)	61	Independent Non-executive Director
Mr. ZENG Qingsheng (曾慶生)	47	Independent Non-executive Director
Mr. WU Yat Wai (胡一威)	54	Independent Non-executive Director
Mr. YAN Lixin (嚴立新)	58	Independent Non-executive Director

Mr. Ding Xueqing (丁學清), aged 58, served as our Chairman of the Board and executive Director. Mr. Ding joined the Guarantor as a Director in November 2014, serveing as the standing deputy general manager from November 2014 to July 2015, and the Director and general manager since July 2015. Mr. Ding has been appointed as the Chairman of the Board of the Guarantor and ceased to serve as the general manager of the Guarantor since May 2020. Mr. Ding has also served as a director of Haitong UniFortune Financial Leasing since November 2014, a director of Haitong UT Capital and Haitong UniFortune, the chairman of Shanghai UniCircle Investment & Development Co., Ltd. since July 2015, the chairman of Haitong UniFortune since March 2018. Mr. Ding served as an officer of the Changzhou Finance Bureau of Jiangsu Province in the PRC from July 1984 to December 1985, a teacher of Changzhou College of Accounting in Jiangsu Province in the PRC from December 1985 to June 1988. Mr. Ding served in various positions in the local tax bureau of Jinghu Branch, Wuhu City, Anhui Province in the PRC from June 1988 to March 2002, including the deputy director of the Second Tax Office from April 1991 to September 1995, director of the Third Tax Office from September 1995 to March 2002 and assistant manager of Huangshan West Road Business Office of GuoYuan Securities in Wuhu City from March 2002 to January 2005. Mr. Ding served in various positions in Haitong Securities from January 2005 to November 2014, including the general manager of Wenhua Road Business Office in Wuhu City from January 2005 to June 2010, deputy general manager of Anhui Branch and general manager of Wuhu Business Office from June 2010 to May 2011, general manager of Anhui Branch and general manager of Wuhu Business Office from May 2011 to December 2011, general manager of Anhui Branch from December 2011 to February 2013, and general manager of the retail and network finance department from March 2013 to November 2014. Mr. Ding served as the vice chairman of the board of directors of Gui'an UT from January 2017 to September 2020 and the chairman of the board of directors of Shanghai Dingjie Construction Development Co., Ltd. from June 2018 to July 2020. Mr. Ding graduated with a bachelor's degree in computer application software from Jilin University in the PRC in June 2008 and an executive master of business administration degree from Dongbei University of Finance and Economics in the PRC in June 2010.

Mr. Ren Peng (任澎), aged 59, served as our non-executive Director. Mr. Ren has been appointed as a Director of the Guarantor since June 2014. Mr. Ren also serves as the deputy general manager of Haitong Securities since November 1997 and chairman of the investment banking committee of Haitong Securities since March 2010, the director of China-Belgium Direct

Equity Investment Fund since March 2011, a chairman of the board of directors of Haitong UT Capital since June 2014, director of Haitong UniFortune, Haitong International Holdings Limited and Shanghai UniCircle Investment & Development Co., Ltd. Since July 2014, and a director of Haitong Securities since June 2019. Mr. Ren served as an officer of the savings division in the Xihu Office of the PBOC from December 1981 to June 1982, the section head and deputy division head of the savings division in the Xihu Office of the Industrial and Commercial Bank of China Limited (a company listed on the Shanghai Stock Exchange (stock code: 601398) and the Hong Kong Stock Exchange (stock code: 1398)) (the "**Industrial and Commercial Bank of China**") from June 1982 to February 1988. Mr. Ren served in Hangzhou Branch of Bank of Communications Co., Ltd. (a company listed on the Shanghai Stock Exchange (stock code: 601328) and the Hong Kong Stock Exchange (stock code: 3328)) from February 1988 to March 1996, during which he served as the head of savings business from February 1988 to May 1990, assistant to the head and deputy head of the First Office from May 1990 to March 1991, assistant manager of the securities and savings department from March 1991 to December 1993 and manager of the securities department from December 1993 to March 1996. Mr. Ren joined Haitong Securities Company Limited since March 1996, during which he served as the general manager of the securities transaction business department of Hangzhou of Haitong Securities from March 1996 to November 1997. Mr. Ren served as a director of Haitong Capital Investment Co., Ltd. (海通開元投資有限公司), from October 2008 to August 2011. Mr. Ren served as the chairman of the board of directors of Haitong UniFortune Financial Leasing from November 2014 to August 2018, the chairman of the board of directors of Haitong UniFortune from July 2014 to March 2018, the chairman of the board of directors of the Guarantor from June 2014 to May 2020, and a director of Haitong UniFortune Financial Leasing from November 2014 to October 2020. Mr. Ren graduated from the undergraduate school in finance from Fudan University in the PRC in January 2004 and obtained a master's degree in business administration from China Europe International Business School in the PRC in July 2006. Mr. Ren obtained the qualification to engage in securities business issued by the Securities Association of China in August 2003.

Ms. Ha Erman (哈爾曼), aged 46, serves as our non-executive Director. Ms. Ha has served as a Director of the Guarantor since November 2019. Ms. Ha served as a non-executive director of China Pacific Insurance (Group) Co., Ltd. (a company listed on the Shanghai Stock Exchange (stock code: 601601) and the Hong Kong Stock Exchange (stock code: 2601)) from June 2014 to June 2017, a non-executive director of Shanghai Jinqiao Export Processing Zone Development Co., Ltd. (a company listed on the Shanghai Stock Exchange (stock code: 600639)) from June 2015 to June 2016; the chairman of the board of directors of Shanghai Guosheng (Group) Estate Holding Co., Ltd. from October 2016 to December 2017. Ms. Ha has acted as a director of Shanghai Rural Commercial Bank since February 2017 and chairman of the board of directors of Guosheng Overseas Holdings (Hong Kong) Limited since December 2018. Ms. Ha served as an assistant to the head of the Foreign Economic Commission of Xuhui District of Shanghai from October 2007 to April 2008, the deputy head of the Hunan Road Office of Xuhui District of Shanghai from April 2008 to March 2012, the deputy head of the Commission of Commerce of Xuhui District of Shanghai from March 2012 to August 2013, the head of Grain Bureau of Xuhui District of Shanghai from December 2012 to August 2013, the vice chairman of the board of directors of Shanghai State-owned Assets Management Co., Ltd. from August 2013 to April 2015, the chairman of the board of directors of Shanghai International Group Assets Management Co., Ltd. from April 2015 to May 2016. Ms. Ha has acted as the vice president of Shanghai Guosheng (Group) Co., Ltd. since May 2016 and a supervisor of AECC Commercial Aircraft Engine Co., Ltd. since December 2019. Ms. Ha has been the chairman of the board of directors, director and general manager of Shanghai Shengpu Jianglan Cultural Development Co, Ltd.（上海盛浦江瀾文化發展有限 公司）since March 2020. Ms. Ha obtained a bachelor's degree in science of industrial foreign trade and a master's degree in public administration from Shanghai Jiao Tong University in July 1998 and March 2005, respectively.

Mr. Li Chuan (李川), aged 39, serves as our non-executive Director. Mr. Li has been a Director of the Guarantor since November 2019. Mr. Li has been a director of Shen Rong International Asset Management Co., Ltd. since October 2018, and a director of Shanghai Electric Insurance Limited since January 2019. Mr. Li has served as a director of Sun Mao International Trading Co., Limited since June 2019, a general manger of Shanghai Electric Insurance Limited since November 2019 and a director of Shanghai Electric Hong Kong Treasury Management Co., Limited since December 2019 and the vice president of Shanghai Electric Finance Group（上海電氣 金融集團） since January 2021. Mr. Li held various positions in the turbine factory of Shanghai Electric Power Generation Equipment Co., Ltd. from April 2008 to February 2014, including a staff member of the financial department from April 2008 to June 2011, an assistant to the manager of the financial department from June 2011 to December 2013, and the deputy manager of the financial department from December 2013 to February 2014. Mr. Li was the manager of the assets and financial department of Shanghai Heavy Machinery Plant Co., Ltd. from February 2014 to October 2015, the deputy general manager of Shanghai Electric Heavy Machinery Casting Forging Co., Ltd. from October 2015 to May 2018 and the deputy general manager and chief financial officer of Shanghai Electric Hongkong Co. Limited since May 2018. Mr. Li obtained a bachelor's degree in energy and power engineering and a master's degree in management science and engineering (industrial engineering) from Shanghai Jiao Tong University in June 2005 and March 2008, respectively. Mr. Li was qualified as a senior economist by Shanghai Municipal Human Resources and Social Security Bureau in February 2017.

Ms. Zhou Jianli (周劍麗), aged 49, serves as our executive Director and general manager. Ms. Zhou joined the Guarantor as chief financial officer in February 2014, has served as deputy general manager and chief financial officer from August 2015 to May 2020, has served as a Director since May 2017 and has been appointed as the general manager of the Guarantor since May 2020. Ms. Zhou has served as a supervisor of Gui'an UT from January 2017 to September 2020 and a director of Haitong UniFortune, Haitong UniFortune Financial Leasing and Shanghai UniCircle Investment & Development Co., Ltd. since April 2017. She has been a director of Shanghai Dingjie Construction Development Co., Ltd. since June 2018, the chairman of Haitong Unifortune Financial Leasing since August 2018 and a director of Gui'an UT since September 2020. Ms. Zhou served as the Youth League secretary and teaching assistant of the College of Foreign Languages in Northeast Forestry University in the PRC from July 1993 to August 1995, a lecturer of the College of Economics and Management in Northeast Forestry University in the PRC from December 1997 to February 2000. Ms. Zhou served in various positions at Haitong Securities from February 2000 to March 2014, including the manager of the planning finance department of Harbin business department from February 2000 to August 2002, officer of the finance and accounting department from August 2002 to June 2004, senior executive officer of the finance and accounting department from June 2004 to July 2007, assistant manager of the financial management department of the finance department from July 2007 to August 2009, manager of the financial management department of the finance department from September 2009 to February 2013, and assistant to general manager of the planning finance department from March 2013 to March 2014. Ms. Zhou was the chief financial officer of Haitong UT Capital from February 2014 to June 2017. Ms. Zhou obtained a bachelor of engineering degree in wood processing from Northeast Forestry University in the PRC in July 1993, and a master's degree in business administration from the Harbin Institute of Technology in the PRC in December 1997. Ms. Zhou obtained a qualification of Certified Tax Agent issued by the Ministry of Personnel of the PRC and the State Taxation Administration in June 2005, a qualification of Chinese Certified Public Accountant issued by the Ministry of Finance in May 1998, and was accredited as a senior accountant by Shanghai Municipal Human Resources and Social Security Bureau in the PRC in December 2011.

Wu Shukun (吳淑琨), aged 49, serves as our non-executive Director. Mr. Wu has been appointed as a Director of the Guarantor since April 2017. Mr. Wu also serves as general manager of the strategic development department of Haitong Securities since February 2017, a director of Haitong UT Capital since March 2017, a director of HFT Investment Management Co., Ltd. since April 2017 and a director of Shanghai Haitong Securities Asset Management Co., Ltd. Since March 2020. Mr. Wu served as a postdoctoral researcher of Nanjing University in the PRC from November 1999 to October 2001. Mr. Wu has served in various positions in Haitong Securities since November 2001, including a researcher of Haitong Securities Company Limited from November 2001 to February 2004, manager of the macro research department from February 2004 to May 2005, assistant to director of the research institute from May 2005 to March 2008, deputy general manager of the institutional business department from March 2008 to February 2013, deputy general manager (in charge) of the corporate and private customers department from March 2013 to May 2015, and general manager of the corporate finance department from May 2015 to February 2017 and a director of Shanghai Haitong Resource Management Co., Ltd. From March 2017 to November 2019. Mr. Wu obtained a bachelor of engineering degree in industrial management and engineering from Xi'an Jiaotong University in the PRC in July 1994, a master's degree in systems engineering from Xi'an Jiaotong University in the PRC in April 1997, and a doctoral degree in management science and engineering management from Xi'an Jiaotong University in the PRC in December 1999. He obtained the qualification to engage in securities investment consultation business (investment consultant) issued by the Securities Association of China in March 2011.

Mr. Zhang Shaohua (張少華), aged 54, serves as our non-executive Director. Mr. Zhang has been appointed as a Director of the Guarantor since January 2014. Mr. Zhang also serves as a director of Haitong Futures Co., Ltd. since June 2019, director of Shanghai Haitong Securities Asset Management Co., Ltd. since October 2019 and general manager of the capital management department of Haitong Securities since December 2019. Mr. Zhang worked for the finance and accounting department of Haitong Securities Company Limited from June 1996 to February 2004, during which he served as an investment officer from June 1996 to March 2001 and the assistant manager of the integrated management department from March 2001 to February 2004. Mr. Zhang has served in various positions in Haitong Securities since February 2004, including manager of the integrated management department of the finance and accounting department from February 2004 to March 2006, manager of the capital management department of the finance department from March 2006 to May 2007, assistant to general manager of the finance department from May 2007 to February 2013, deputy general manager of the finance department from March 2013 to October 2015, and director of Haitong Innovation Securities Investment Co., Ltd. from March 2012 to May 2019. Mr. Zhang served as the deputy general manager of the capital management department of Haitong Securities from October 2015 to December 2019, the deputy general manager (in charge) of the capital management department of Haitong Securities from March 2019 to December 2019 and a director of Haitong Unifortune Financial Leasing from April 2014 to October 2020. Mr. Zhang graduated with a diploma in industrial accounting from Shanghai Mechanical and Electronic Engineering Technology University in the PRC in January 1995, and a bachelor's degree in law from the Open College of the Party School of the Central Committee of the Communist Party of China in December 2005. Mr. Zhang obtained the qualification to engage in securities business issued by the Securities Association of China in March 2004.

Mr. Jiang Yulin (蔣玉林), aged 63, serves as our independent non-executive Director. Mr. Jiang has been appointed as an independent non-executive Director of the Guarantor in May 2017. Mr. Jiang served in various positions in the PBOC from November 1979 to November 1985, including officer of the credit office of Linquan County branch, Fuyang City, Anhui Province from November 1979 to January 1984, deputy head and head of credit office of Linquan County Branch, Fuyang City, Anhui Province from January 1984 to November 1985. Mr. Jiang served in various positions in the Industrial and Commercial Bank of China from November 1985 to February 2015, including the vice president of Linquan County branch, Fuyang City, Anhui Province from November 1985 to May 1988, president of Jieshou City branch, Fuyang City, Anhui Province from May 1988 to December 1991, vice president of Fuyang City Branch, Anhui Province from December 1991 to September 1997, president of Wuhu City Branch, Anhui Province from September 1997 to September 2000, vice president of Anhui Branch from September 2000 to October 2006, president of Yunnan Branch from October 2006 to July 2010, general manager of the credit business department of the headquarters from July 2010 to January 2014, general manager of the information management department from January 2014 to February 2015. Mr. Jiang served as an independent supervisor of Maanshan Iron & Steel Company Limited (a company listed on the Shanghai Stock Exchange (stock code: 600808) and the Hong Kong Stock Exchange (stock code: 0323)) from September 2002 to August 2005. Mr. Jiang served as the chairman of the board of directors of ICBC Financial Leasing Co., Ltd. from January 2015 to May 2016, and non-executive director, chairman of the Risk Management Committee and member of the audit committee of Industrial and Commercial Bank of China (Asia) Limited from August 2015 to May 2016. Mr. Jiang has also served as an executive director of City e-Solutions Limited (currently known as China Tian Yuan Healthcare Group Limited) (a company listed on the Hong Kong Stock Exchange (stock code: 0557)) from August 2016 to March 2020 and chairman and member of the Nomination Committee from September 2016 to March 2020. Mr. Jiang obtained a doctorate's degree in economics from Wuhan University in the PRC in December 2013. Mr. Jiang was qualified as a senior economist issued by the Appraisal and Approval Committee for Professional & Technical Competence of the Industrial and Commercial Bank of China in August 1997.

Mr. Yao Feng (姚峰), aged 61, serves as our independent non-executive Director. Mr. Yao has been appointed as an independent non-executive Director of the Guarantor in May 2020. Mr. Yao served as a director of Konka Group Co., Ltd. (a company listed on the Shenzhen Stock Exchange (stock code for A shares: 000016.SZ and stock code for B shares: 200016.SZ) from April 1998 to June 1999. Mr. Yao successively served as an officer, deputy chief officer, chief officer and deputy director of the statistics and research division of the integrated planning department of the Ministry of Finance of the PRC from August 1983 to March 1993, a deputy department manager and general manager of China Economic Development Trust & Investment Corporation from March 1993 to April 1997, a deputy general manager of the financial and securities department of China Travel Service (Holdings) Hong Kong Limited from April 1997 to July 1998, and a deputy general manager of China Travel Financial Investment Holdings Co., Limited from July 1998 to June 1999. Mr. Yao successively served in various positions of the China Securities Regulatory Commission from June 1999 to May 2013, including the director of institution regulatory department from June 1999 to February 2002, a party committee member and deputy officer of Guangzhou Securities Regulatory Office from February 2002 to January 2004, a party committee member and deputy director of Guangzhou Regulatory Bureau from January 2004 to August 2004, a deputy officer of the risk management office for securities companies from August 2004 to June 2008, an inspector and deputy officer of the accounting department from June 2008 to September 2011, and a commissioner of Shanghai Supervision Office of the Commissioner from September 2011 to May 2013. Mr. Yao successively served in China Association of Public Companies from May 2013 to April 2016 as the secretary of the party committee, the executive vice-chairman and legal representative and as the secretary of the party committee and vice-chairman of China Association of Public Companies from April 2016 to April 2017. Mr. Yao served as the deputy mayor of Hangzhou Municipal People's Government from June 2017 to October 2019. Mr. Yao served as the deputy secretary of the party committee and the chairman of the board of supervisors of China Association of Public Companies from June 2019 to September 2019. Mr. Yao was a member of the first session of self-regulatory committee of the council the Shenzhen Stock Exchange from December 2014 to December 2017 and an adjunct professor of

China University of Political Science and Law from June 2015 to June 2018. Mr. Yao has been a council member of the Business School of China University of Political Science and Law since May 2017. Mr. Yao obtained a bachelor's degree in national economic plan from Hubei Institute of Finance and Economics (currently known as Zhongnan University of Economics and Law) in August 1983 and a masters' degree in monetary banking from Zhongnan University of Finance and Economics

(currently known as Zhongnan University of Economics and Law) in June 1997. Mr. Yao also obtained a qualification certificate as independent director from Shenzhen Stock Exchange in the PRC (No: 2011126328) in May 2020.

Mr. Zeng Qingsheng (曾慶生), aged 47, serves as our independent non-executive Director. Mr. Zeng has been appointed as an independent non-executive director of the Guarantor in May 2017. Mr. Zeng has served as the associate professor, doctoral supervisor, professor and deputy dean of the School of Accounting of Shanghai University of Finance and Economics in the PRC since March 2010 and an independent director of Shanghai Wanye Enterprises Co., Ltd. (a company listed on the Shanghai Stock Exchange (stock code: 600641)) since December 2015. Mr. Zeng worked as a lecturer and associate professor of the Faculty of Accounting of Antai College of Economics and Management of Shanghai Jiao Tong University in the PRC from April 2005 and March 2010. Mr. Zeng served as an independent director of Suzhou Sunmun Technology Co., Ltd. (a company listed on the Shenzhen Stock Exchange (stock code: 300522)) from April 2010 to September 2016, an independent director of Jiangsu Feiliks International Logistics Inc. (a company listed on the Shenzhen Stock Exchange (stock code: 300240)) from May 2014 to May 2017, an independent director of Jiangsu Skyray Instrument Company Limited (a company listed on Shenzhen Stock Exchange (stock code:300165)) from April 2015 to April 2018, an independent director of Orient-Chip Technology Co. Ltd. from September 2015 to May 2018, an independent director of Sunsea Telecommunications Co., Ltd. (now known as Sunsea AIoT Technology Co., Ltd.) (a company listed on the Shenzhen Stock Exchange (stock code: 002313) from August 2016 to September 2018, and an independent director of Jiangsu Yixing Rural Commercial Bank Co., Ltd. from June 2017 to February 2019. Mr. Zeng obtained a bachelor's degree in accounting from China Textile University (currently known as Donghua University) in the PRC in July 1998, a master's degree in accounting and professional management from Shanghai University of Finance & Economics in the PRC in February 2001, a doctoral degree in accounting and professional management from Shanghai University of Finance & Economics in the PRC in March 2005, and a visiting scholar of Rensselaer Polytechnic Institute in the U.S. from August 2010 to August 2011. Mr. Zeng also obtained a qualification of non-executive member issued by The Chinese Institute of Certified Public Accountants in the PRC in December 2009, a qualification certificate as independent director from Shanghai Stock Exchange in the PRC (No: 210059) in August 2012, a certificate of qualified senior management (independent director) of listed companies from Shenzhen Stock Exchange in the PRC (No: 1406013435) in November 2014, a certificate of qualified senior management (independent director) of listed companies from Shenzhen Stock Exchange in the PRC (No: 1607617675) in September 2016 and a certificate of qualified senior management (independent director) from Shanghai Stock Exchange in the PRC (No: D1804063) in November 2018.

Mr. Wu Yat Wai (胡一威), aged 54, serves as our independent non-executive Director. Mr. Wu has been appointed as an independent non-executive Director of the Guarantor in May 2017. Mr. Wu also serves as an independent non-executive director of C&D Property Management Group Co., Ltd (a company listed on the Hong Kong Stock Exchange (stock code: 2156)) since December 2020. Mr. Wu served as an analyst of the finance department of The Hong Kong Jockey Club from September 1992 to April 1993, assistant manager and manager of the corporate trust department of Bankers Trust Company from April 1993 to July 1995, analyst of Credit Lyonnais

Securities (Asia) Limited from November 1996 to April 2000, served in Lehman Brothers Asia Limited from April 2000 to May 2005, during which he served as the senior vice president of the equity research division in Hong Kong, and served in Goldman Sachs (Asia) L.L.C. from May 2005 to May 2016, during which he served as the managing director of the global investment research division. Mr. Wu was a director of Constant Fine Limited from January 1997 to May 2001. Constant Fine Limited was incorporated in Hong Kong and primarily engaged in real estate investment business in Hong Kong and did not conduct any substantial business operation since its incorporation. In June 2001, Constant Fine Limited was struck off by the Registrar of Companies of Hong Kong and it was officially dissolved in November 2001. Mr. Wu confirmed that Constant Fine Limited had no asset or liability from its incorporation to its dissolution. Mr. Wu obtained a bachelor's degree in business administration from Hong Kong Baptist College (currently known as Hong Kong Baptist University) in September 1991; and a master's degree in accounting and finance from London School of Economics and Political Science in the United Kingdom in August 1992.

Mr. Yan Lixin (嚴立新), aged 58, serves as our independent non-executive Director. Mr. Yan has been appointed as an independent non-executive Director of the Guarantor in May 2020. Mr. Yan served as an assistant teacher of School of Foreign Languages of Jiangsu University (formerly known as School of Foreign Languages of Zhenjiang College) from July 1985 to July 1993, the chief secretary of the Foreign Economic Trade Commission of Zhenjiang City, Jiangsu Province from July 1993 to December 1995, a director of the general office of Foreign Trade Exchange Co., Ltd. of Zhenjiang City, Jiangsu Province from January 1996 to February 1996, a legal representative and deputy general manager of Textile Import & Export Corporation of Zhenjiang City, Jiangsu Province from February 1996 to December 1996, the chairman of the board of directors and general manager of Knitted Cotton Import & Export Co., Ltd. of Zhenjiang City from January 1997 to August 2002, and the chairman of the board of directors of Shanghai Yifei Kaite International Trade Co., Ltd. from September 2002 to December 2004. Mr. Yan was a postdoctoral fellow in journalism and communication of School of Journalism of Fudan University from September 2006 to June 2008. Mr. Yan has served as an associate professor of Institute for Financial Studies of School of Economics of Fudan University since August 2008, and an executive officer of China Centre for Anti-Money Laundering Studies of Fudan University since January 2017. Mr. Yan was elected as the only Chinese council member of the International Network of AML/CFT Institute in November 2017. Mr. Yan obtained a bachelor's degree in English from Xuzhou Normal College (currently known as Jiangsu Normal University) in June 1985, a master's degree in dynamic management from the School of Management of Fudan University (BI) in January 2001 and a doctoral degree in world economics from the School of Economics of Fudan University in June 2006.

Supervisors

The Board of Supervisors of the Guarantor as at the date of this Offering Circular are as follows:

Name	Age	Position
Ms. ZHOU Tao (周陶)	42	Chairwoman of the Board of Supervisors and Shareholder Representative Supervisor
Mr. HU Zhangming (胡章明)	34	Employee Representative Supervisor
Mr. CHEN Xinji (陳新計)	35	Employee Representative Supervisor

Ms. Zhou Tao (周陶), aged 42, serves as our chairwoman of the Board of Supervisors and a shareholder representative supervisor. Ms. Zhou has been appointed as the Chairwoman of the Board of Supervisor and a Shareholder representative Supervisor of the Guarantor since May 2020.

Ms. Zhou served in the compliance management position of the Guarantor from November 2016 to November 2019 and has served as a general manager of the compliance and legal department of Haitong Securities Co., Ltd. (a company listed on The Stock Exchange of Hong Kong Limited (stock code: 6837.HK) and the Shanghai Stock Exchange (stock code: 600837.SH), and the ultimate controlling shareholder of the Guarantor) since December 2019. Ms. Zhou was a deputy officer of the Jinshan branch of Shanghai Municipal Tax Service from July 2004 to June 2008 and an executive and a deputy director of Shanghai Securities Regulatory Bureau from June 2008 to October 2016. Ms. Zhou obtained a bachelor's degree and master's degree in finance from Southwestern University of Finance and Economics in June 2001 and June 2004, respectively. Ms. Zhou was accredited as a certified public accountant in April 2004 and a certified public valuer in November 2004, and was also qualified as an intermediate economist in December 2016.

Ms. Zhou tendered her resignation as a shareholder representative supervisor of the Guarantor and the Chairwoman of the Board of Supervisors of the Guarantor on 6 March 2022 for personal work adjustments which required her to leave the current employer. Her resignation will come into effect upon the election of a new supervisor at the Company's general meeting.

Mr. Hu Zhangming (胡章明) aged 34, serves as our employee representative supervisor. Mr. Hu joined the Company in February 2016 as a clerical and OA officer of the general manager office and served as the manager of secretarial unit of the general manager office from January 2020 to August 2021. He has served as an assistant to the general manager of the Party Community Division since August 2021. Mr. Hu worked as a C++ development engineer at VanceInfo Creative Software Technology Ltd. from July 2010 to August 2011; an IT and automation engineer at Nanjing C-HOPE Cement Engineering Group Co., Ltd. from September 2011 to April 2015; and a customer technical service engineer at Shanghai KaYang Information System Co., Ltd. from May 2015 to January 2016. Mr. Hu obtained a bachelor's degree in computer science and technology from Anhui Normal University in July 2010 and obtained the qualification to engage in PMP project management in December 2018.

Mr. Chen Xinji (陳新計), aged 35, serves as our employee representative supervisor. Mr. Chen joined the Guarantor as an assistant to the general manager of the Treasury Management Department in November 2016, and has been an employee representative Supervisor since June 2017 and the deputy general manager of the Treasury Management Department since September 2020. Mr. Chen served in various positions in Haitong Securities from July 2007 to October 2016, including financial management controller of the finance department from July 2007 to March 2014, statistical information controller of the finance department from March 2014 to November 2015, and assistant manager of the accounting and auditing department of the finance department from November 2015 to October 2016. Mr. Chen obtained a bachelor's degree in accounting from Guanghua School of Management of Peking University in the PRC in July 2007, and a master's degree in business administration from China Europe International Business School in the PRC in August 2017. Mr. Chen was accredited as an accountant by the Financial Bureau of Beijing in the PRC in November 2007, and obtained the qualification to engage in securities business issued by the Securities Association of China in August 2009.

Senior Management

The senior management of the Guarantor as at the date of this Offering Circular are as follows:

Name	Age	Position
Ms. ZHOU Jianli (周劍麗)	49	Executive Director, General Manager and Chief Financial Officer
Ms. WU Jian (吳健)	48	Deputy General Manager and Chief HumanResources Officer
Mr. LIU Heping (劉和平)	53	Deputy General Manager and Chief Legal Officer
Mr. FU Da (傅達)	35	Deputy General Manager, Chief Risk Officer, Secretary to the Board
Mr. LU Yang (路陽)	42	Deputy General Manager
Mr. GAO Yong (高勇)	59	Compliance Officer
Mr. HE Chen (何晨)	58	Assistant to General Manager
Ms. SANG Linna (桑琳娜)	45	Assistant to General Manager

For Ms. Zhou Jianli's experience, please see "*Directors*" in this section.

Mr.Liu Heping (劉和平), aged 53, serves as our deputy general manager and chief legal officer. Mr. Liu joined the Guarantor in November 2014 as chief legal officer, and has been a deputy general manager and chief legal officer since August 2015. Mr. Liu served in various positions in Haitong Securities from July 2000 to November 2014, including officer of the general manager office from July 2000 to June 2002, assistant manager of the legal department of the general manager office from June 2002 to February 2004, division head of the legal department of the general manager office from February 2004 to January 2007, assistant to general manager of the risk and asset management department from January 2007 to September 2008, officer of the compliance office from September 2008 to February 2009, assistant to general manager of the compliance department from March 2009 to March 2011, and assistant to general manager of the compliance and risk management department from March 2011 to November 2014. Mr. Liu obtained a bachelor of law degree in moral and political education from Anhui Normal University in the PRC in July 1993, a master of law degree in economic law from East China College of Political Science and Law (currently known as East China University of Political Science and Law) in the PRC in July 2000, and a doctoral degree in international law from East China College of Political Science and Law (currently known as East China University of Political Science and Law) in June 2005. Mr. Liu was qualified as a lawyer issued by the Department of Justice of Anhui Province in the PRC in May 1994.

Ms. Wu Jian (吳健), aged 48, serves as our deputy general manager and chief human resources officer. Ms. Wu joined the Guarantor in November 2014 as chief human resources officer and was appointed as the assistant to general manager and the chief human resources officer in August 2015 and deputy general manager in March 2019. Ms. Wu served in various positions in Haitong Securities from July 1996 to November 2014, including secretary of the general manager office from July 1996 to June 2002, officer of the human resources development department from June 2002 to June 2004, senior officer of the human resources development department from June 2004 to October 2005, deputy manager and manager of the manpower deployment department of the human resources department from November 2005 to April 2014, and manager of the talent management department of the human resources department and assistant to general manager from April 2014 to November 2014. Ms. Wu obtained a bachelor of law degree in secretarial profession from Shanghai Normal University in the PRC in July 1996 and a master's degree in finance from Shanghai University of Finance and Economics in the PRC in January 2007.

Mr. Fu Da (傅達), aged 35, serves as our deputy general manager, chief risk officer, secretary to the Board and a joint company secretary. Mr. Fu joined the Guarantor in December 2014 as the general manager of High-End Customers Department. He was appointed as the assistant to general manager in November 2015, secretary to the Board in May 2017 and deputy general manager and chief risk officer in March 2019. Mr. Fu has served in various positions in Haitong Securities from September 2009 to December 2014, including an officer of the investment banking department from September 2009 to July 2011, manager of the investment banking department from July 2011 to April 2012, and senior manager of the investment banking department from April 2012 to December 2014. Mr. Fu obtained a bachelor's degree in finance from Jinan University in the PRC in June 2008, and a master's degree in finance and economics from The London School of Economics and Political Science in the United Kingdom in July 2009.

Mr. Lu Yang (路陽), aged 42, serves as our deputy general manager. Mr. Lu has served in various positions of the Guarantor since August 2010, including the chief marketing officer and general manager of the Machinery Business Department from August 2010 to February 2012, general manager of the Industrial Equipment Business Department from March 2012 to February 2014, vice president managing the industrials from March 2014 to November 2015, assistant to general manager since November 2015 and deputy general manager since March 2019. Mr. Lu served in New Century Financial Leasing Co., Ltd. from July 2002 to August 2004, and served in Far Eastern International Leasing Co., Ltd. from September 2004 to July 2010. Mr. Lu also serves as the chairman of the board of directors and a director of Shanghai Dingjie Construction Development Co., Ltd since July 2020 and the chairman of the board of directors and a director of Gui'an UT since September 2020. Mr. Lu obtained a bachelor's degree in business administration from Shanghai Jiao Tong University in the PRC in July 2002, and a master's degree in business administration from Fudan University in the PRC in June 2010.

Mr.Gao Yong (高勇), aged 59, serves as the compliance officer of the Guarantor. Mr. Gao has served as general manager of the Strategic Development Department of the Guarantor from September 2015 to September 2020 and was appointed as compliance officer in August 2018. He has been a supervisor of Shanghai Dingjie Construction Development Co., Ltd. since June 2018. Mr. Gao worked in the Xiaodongmen sub-branch and credit division of the Nan City branch of Shanghai (subsequently merged with the Huangpu branch of Shanghai) of Industrial and Commercial Bank of China from September 1981 to December 1996. He successively served as the deputy head of credit division, deputy head of credit review division, deputy head of credit customer department 1, assistant manager of financial business department and assistant manager of credit management department in Zhoujiadu sub-branch of the Pudong branch of Industrial and Commercial Bank of China from December 1996 to December 2005. Mr. Gao served as vice president of Pudong Avenue sub-branch of Industrial and Commercial Bank of China from January 2006 to December 2013 and the assistant manager (market 2) of Pudong branch of Shanghai of Industrial and Commercial Bank of China from January 2014 to July 2015. Mr. Gao obtained an associate's degree in financial studies from Shanghai University of Finance and Economics in June 1987, a research master's degree in business management from City University of Macau (formerly known as Asia International Open University (Macau)) in March 2000 and a bachelor's degree in management from Air Force Engineering University in June 2005.

Mr. He Chen (何晨), aged 58, serves as the assistant to the general manager of the Guarantor. Mr. He has been the head of the general manager office of the Guarantor since January 2017 and the assistant to the general manager since August 2018. Mr. He was a platoon leader of the ninth regiment of the third division of the first army group, political advisor, commander level propaganda officer, deputy battalion-level political associate and deputy battalion-level officer in charge of propaganda and publicity from July 1985 to December 1994. He was a political associate at the headquarters of Wuhu military division from December 1994 to July 1997 and the chief of propaganda and security section of the political department of Wuhu military division from July 1999 to March 2002. He was a member of the standing committee of the communist party of Fanchang county and the political committee member of people's armed forces of Fanchang county from March 2002 to November 2005, a member of the standing committee of Fanchang county from November 2005 to February 2006, a member of the standing committee of the communist party and the secretary of disciplinary committee of Fanchang county from February 2006 to April 2008, a member of the standing committee of the communist party and a deputy standing magistrate of Fanchang county from April 2008 to September 2009, deputy secretary general of Wuhu municipal communist party committee and Wuhu municipal government and the director and secretary of communist party of the municipal bureau for complaints of Wuhu from September 2009 to March 2013, the head and secretary of communist party committee of housing and urban-rural development committee of Wuhu from March 2013 to September 2013, the head of housing and urban-rural development committee of Wuhu, Secretary of the Communist Party and the deputy secretary of Chengdong New District municipal communist party committee from September 2013 to May 2014, the head of housing and urban-rural development committee of Wuhu, Secretary of the Communist Party, the deputy secretary of Chengdong New District municipal communist party committee and of the head of Wuhu Housing Expropriation Administration Office (acting) from May 2014 to May 2016 and the head of housing and urban-rural development committee of Wuhu, Secretary of the Communist Party and the head of Wuhu Housing Expropriation Administration Office from May 2016 to December 2016. Mr. He graduated from the Nanjing Army College in July 1985 and obtained a bachelor's degree in economics from Party School of the Central Committee in December 1996.

Ms. Sang Linna (桑琳娜), aged 45, serves as our assistant to general manager. Ms. Sang joined the Guarantor in April 2009 and served as general manager of Business Department and vice president of business from April 2009 to August 2015 and executive deputy general manager and chief operating officer of Gui'an UT form April to October 2018. She joined the Guarantor again in November 2018, and has served as Assistant to general manager of the Guarantor since March 2019. Ms. Sang served as a sales manager of CIT Finance & Leasing Corporation from July 2002 to April 2009, and a vice president of Peking Central Ocean Prolific Energy Power Investment Limited from August 2015 to October 2016, a vice president of Zhengqi (Beijing) Asset Management Co. Ltd. from January 2017 to September 2017 and a general manager of Shaanxi DaTang Silk Road International Financial Leasing Co., Ltd. from September 2017 to April 2018. Ms. Sang graduated from North China University of Technology in July 1999 with a major in international trade and obtained a master's degree in business administration from Shanghai Jiao Tong University in June 2010.

TAXATION

The following summary of certain PRC, Hong Kong and EU tax consequences of the purchase, ownership and disposition of the Notes is based upon applicable laws, regulations, rulings and decisions in effect as at the date of this Offering Circular, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Neither these statements nor any other statements in this Offering Circular are to be regarded as advice on the tax position of any Noteholder or any persons acquiring, selling or otherwise dealing in the Notes or on any tax implications arising from the acquisition, sale or other dealings in respect of the Notes. Persons considering the purchase of the Notes should consult their own tax advisers concerning the tax consequences of the purchase, ownership and disposition of the Notes.

Prospective investors should consult their professional advisers on the possible tax consequences of buying, holding or selling any Notes under the laws of their country of citizenship, residence or domicile.

PRC

The following summary describes the principal PRC tax consequences of ownership of the Notes by beneficial owners who, or which, are not residents of mainland China for PRC tax purposes. These beneficial owners are referred to as non-PRC Noteholders in this section. In considering whether to invest in the Notes, potential purchasers should consult their individual tax advisers with regard to the application of PRC tax laws to their particular situations as well as any tax consequences arising under the laws of any other tax jurisdiction.

Pursuant to the EIT Law and its implementation regulations and relevant tax laws and regulations, enterprises that are established under laws of foreign countries and regions (including Hong Kong, Macau and Taiwan) but whose "de facto management bodies" are within the territory of the PRC shall be PRC tax resident enterprises for the purpose of the EIT Law and they shall pay enterprise income tax at the rate of 25 per cent. in respect of their income sourced from both within and outside the PRC. If relevant PRC tax authorities decide, in accordance with applicable tax rules and regulations, that the "de facto management body" of the Issuer is within the territory of the PRC, the Issuer may be held to be a PRC tax resident enterprise for the purpose of the EIT Law and be subject to enterprise income tax at the rate of 25 per cent. for its income sourced from both within and outside PRC. As confirmed by the Issuer, as at the date of this Offering Circular, the Issuer has not been notified or informed by the PRC tax authorities that it is considered as a PRC tax resident enterprise for the purpose of the EIT Law and relevant tax laws and regulations. On that basis, holders of the Notes will not be subject to withholding tax, income tax or any other taxes or duties (including stamp duty) imposed by any governmental authority in the PRC in respect of the holding of the Notes or any repayment of principal and payment of interest made thereon.

However, there is no assurance that the Issuer will not be treated as a PRC tax resident enterprise under the EIT Law and related implementation regulations in the future. If the Issuer is treated as a PRC tax resident enterprise, the interest payable by the Issuer may be considered as income sourced inside the PRC. Pursuant to the EIT Law and its implementation regulations, any non-resident enterprise without establishment within the PRC or its income has no actual connection to its establishment inside the PRC may be subject to enterprise income tax at the rate of 10 per cent. on the passive incomes including interest payable sourced inside the PRC unless a lower tax treaty rate applies. Similarly, pursuant to the PRC Individual Income Tax Law, any non-resident individual Noteholders may be subject to individual income tax at the rate of 20 per cent. on the interest payable, which may be further decreased by an applicable tax treaty. Such income tax shall be withheld at source by the PRC entity making payment, who shall be obliged to withhold the tax amount from each payment or payment due. Accordingly, in the event the Issuer is deemed to be a PRC tax resident enterprise by the PRC tax authorities in the future, the Issuer shall withhold income tax from the payments of interest in respect of the Notes for any non-PRC enterprise and individual Noteholders. However, notwithstanding the potential withholding of PRC tax by the Issuer, the Issuer has agreed to pay additional amounts to holders of the Notes so that holders of the Notes would receive the full amount of the scheduled payment, as further set out in the Terms and Conditions of the Notes.

In addition, in the event that the Guarantor is required to discharge its obligations under the Guarantee, the Guarantor will not be obliged to withhold PRC enterprise income tax at the rate up to 10 per cent. on the payments of interest made by it under the Guarantee to non-PRC resident enterprise Noteholders if such payments of interest will not be regarded as being derived from sources within the PRC. However, this is subject to the interpretation by the PRC tax authorities. If the PRC tax authorities take an interpretation that the interest on the Notes payable by the Guarantor under the Guarantee is considered income sourced from the PRC, a withholding tax may be imposed on such interest and the Guarantor will pay additional amounts to holders of the Notes so that holders of the Notes would receive the full amount of the scheduled payment, as further set out in the Terms and Conditions of the Notes. If the Guarantor has to perform the obligation under the Guarantee in the event and only when the Issuer cannot perform its obligations under the Notes, the Guarantor will be obliged to withhold PRC enterprise income tax at the rate up to 20 per cent. on the payments of interest on the Notes made by it under the Guarantee to non-PRC resident enterprise Noteholders if such payments of interest will be regarded as being derived from sources within the PRC.

Non-PRC Noteholders will not be subject to the PRC tax on any capital gains derived from a sale or exchange of Notes consummated outside mainland China between non-PRC Noteholders, except however, if the Issuer is treated as a PRC tax resident enterprise under the EIT Law and related implementation regulations in the future, any gain realised by the non-PRC enterprise Noteholders from the transfer of the Notes may be regarded as being derived from sources within the PRC and accordingly would be subject to up to 10 per cent. of PRC withholding tax unless decreased or exempted by an applicable tax treaty. Further, non-PRC individual Noteholders may be subject to individual income tax at the rate of 20 per cent. on the capital gains, which may be decreased or exempted by an applicable tax treaty. On 31 August 2018, Standing Committee of the National People's Congress promulgated Individual Income Tax Law of the People's Republic of China effective from 1 January 2019 (the "**PRC IIT Tax Law**") (中華人民共 和國個人所得稅法). According to the PRC IIT Tax Law, the tax authorities shall have the right to make tax adjustment based on a reasonable method, provided an enterprise controlled by a resident individual, or an enterprise established in a country (region) with significantly lower tax burden and jointly controlled by a resident individual and a resident enterprise, does not distribute or reduces distribution of profits which is attributable to the resident individual, when there are no reasonable business needs. If Non-PRC Noteholders are enterprises which breach the aforesaid provisions, the tax authorities have right to make tax adjustment on a reasonable basis on the PRC resident individual according the PRC IIT Tax Law.

No PRC stamp duty will be chargeable upon the issue or transfer (for so long as the register of Noteholders is maintained outside the PRC) of a Note.

On 23 March 2016, the Ministry of Finance and SAOT promulgated the Notice of the Ministry of Finance and the State Administration of Taxation on Full Launch of the Pilot Scheme on Levying Value-added Tax in Place of Business Tax（財政部、國家稅務總局關於全面推開營業稅改 征增值稅試點的通知）(Caishui [2016] No. 36, "**Circular 36**"), confirming that business tax will be completely replaced by value-added tax ("**VAT**") from 1 May 2016. With effect from 1 May 2016, income derived from the provision of financial services which previously was subject to business tax will be entirely replaced by, and subject to, VAT.

According to Circular 36, the entities and individuals providing services within the PRC will be subject to VAT. Services are treated as being provided within the PRC where either the service provider or the service recipient is located in the PRC. Services subject to VAT include financial services, such as the transfer of financial commodities including bonds.

Where a Noteholder located outside of the PRC resells Notes to a buyer also located outside of the PRC, since neither buyer nor seller is located in the PRC, theoretically Circular 36 would not apply. However, there is uncertainty as to the applicability of VAT if either a seller or buyer of the Notes is located within the PRC.

Circular 36 has been issued recently and remains subject to the issuance of further clarification rules and/or different interpretations by the competent tax authority. There is uncertainty as to the application of Circular 36 in the context of the sale and transfer of the Notes.

Hong Kong

Withholding Tax

No withholding tax is payable in Hong Kong in respect of payments of principal or interest on the Notes or in respect of any capital gains arising from the sale of the Notes.

Profits Tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Under the Inland Revenue Ordinance (Cap. 112) of Hong Kong (the "**IRO**") as it is currently applied by the Inland Revenue Department, interest on the Notes may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

(i) interest on the Notes is derived from Hong Kong and is received by or accrues to a corporation, other than a financial institution, carrying on a trade, profession or business in Hong Kong;

(ii) interest on the Notes is derived from Hong Kong and is received by or accrues to a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business;

(iii) interest on the Notes is received by or accrues to a financial institution (as defined in the IRO) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or

(iv) interest on the Notes is received by or accrues to a corporation, other than a financial institution, and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO).

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal or redemption of Notes will be subject to Hong Kong profits tax. Sums received by or accrued to a corporation, other than a financial institution, by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO) from the sale, disposal or redemption of Notes will be subject to Hong Kong profits tax.

Sums derived from the sale, disposal or redemption of Notes will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source unless otherwise exempted. The source of such sums will generally be determined by having regard to the manner in which the Notes are acquired and disposed of, including where such activities were undertaken.

In certain circumstances, Hong Kong profits tax exemptions (such as concessionary tax rates) may be available. Investors are advised to consult their own tax advisors to ascertain the applicability of any exemptions to their individual position.

Stamp Duty

Stamp duty will not be payable on the issue of Bearer Notes provided that either:

(i) such Bearer Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or

(ii) such Bearer Notes constitute loan capital (as defined in the Stamp Duty Ordinance (Cap. 117) of Hong Kong (the "**SDO**")).

If stamp duty is payable, it is payable by the Issuer on the issue of Bearer Notes at a rate of 3 per cent. of the market value of the Notes at the time of issue. No stamp duty will be payable on any subsequent transfer of Bearer Notes.

No stamp duty is payable on the issue of Registered Notes. Stamp duty may be payable on any sale and purchase, or change in beneficial ownership of Registered Notes if the relevant transfer is required to be registered in Hong Kong. Stamp duty will, however, not be payable on any transfer of Registered Notes provided that either:

(i) such Registered Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or

(ii) such Registered Notes constitute loan capital (as defined in the SDO).

If stamp duty is payable in respect of the transfer of Registered Notes it will be payable at the rate of 0.26 per cent. (of which 0.13 per cent. is payable by the seller and 0.13 per cent. is payable by the purchaser) normally by reference to the consideration or its value, whichever is higher. In addition, stamp duty is payable at the fixed rate of HK$5 on each instrument of transfer executed in relation to any transfer of the Registered Notes if the relevant transfer is required to be registered in Hong Kong.

Estate Duty

No Hong Kong estate duty is payable in respect of the Notes.

FATCA

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. A number of jurisdictions (including the British Virgin Islands) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register and Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthrough payments" are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date. However, if additional notes (as described under "*Terms and Conditions of the Notes – Further Issues*") that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA.

Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

PRC CURRENCY CONTROLS

Remittance of Renminbi into and outside the PRC

The Renminbi is not a freely convertible currency. The remittance of Renminbi into and outside the PRC is subject to controls imposed under PRC law.

Current Account Items

Under PRC foreign exchange control regulations, current account item payments include payments for imports and exports of goods and services, payments of income and current transfers into and outside the PRC.

Prior to July 2009, all current account items were required to be settled in foreign currencies. On July 2009, the PRC government promulgated Measures for the Administration of the Pilot Programme of Renminbi Settlement of Cross-Border Trades (跨境貿易人民幣結算試點管理辦法) (the "**Measures**") and its implementation rules, pursuant to which designated and eligible enterprises are allowed to settle their cross-border trade transactions in Renminbi. Since July 2009, subject to the Measures and its implementation rules, the PRC has commenced a scheme pursuant to which Renminbi may be used for settlement of cross-border trade between approved pilot enterprises in five designated cities in the PRC including Shanghai, Guangzhou, Dongguan, Shenzhen and Zhuhai and enterprises in designated offshore jurisdictions including Hong Kong and Macau. On 17 June 2010, the PRC government promulgated the Circular on Issues concerning the Expansion of the Scope of the Pilot Programme of Renminbi Settlement of Cross-Border Trades (關於擴大跨境貿易人民幣結算試點有關問題的通知), pursuant to which (i) the list of designated pilot districts was expanded to cover 20 provinces including Beijing, Shanghai, Tianjin, Chongqing, Guangdong, Jiangsu, Zhejiang, Liaoning, Shandong and Sichuan, and (ii) the restriction on designated offshore districts was lifted. Accordingly, any enterprises in the designated pilot districts and offshore enterprises are entitled to use Renminbi to settle any current account items between them (except in the case of payments for exports of goods from the PRC, such Renminbi remittance may only be effected by approved pilot enterprises in 16 provinces within the designated pilot districts in the PRC). On 27 July 2011, the PRC government promulgated the Circular on the Expansion of the Regions of Renminbi Settlement of Cross-Border Trades (關於擴大跨境貿易人民幣結算地區的通知), pursuant to which the list of designated pilot districts was expanded to the whole country. On 3 February 2012, the PRC government promulgated the Circular on the Relevant Issues Pertaining to Administration over Enterprises Engaging in RMB Settlement of Export of Goods (關於出口貨物貿易人民幣結算企業管理有關問題的通知), pursuant to which any enterprises in China which are qualified to engage in import and export trade are allowed to settle their goods export trade in Renminbi. On 23 March 2018, PBOC promulgated Issuance of Notice of People's Bank of China on Business Rules of Cross Border Interbank Payment System (中國人民銀行關於印發《人民幣跨境支 付系統業務規則的通知》). The notice regulates cross border interbank payment conducts, clarifies management rules on participants and protects legitimate rights of operating institutions and participants of cross border interbank payment system. On 5 January 2018, the PBOC promulgated Notice of the People's Bank of China on Further Improving Policies of Cross-Border RMB Business to Promote Trade and Investment Facilitation (Yin Fa [2018] No. 3)（中國人民銀行關於進 一步完善人民幣跨境業務政策促進貿易便利化的通知）(銀發[2018]3號). The Yin Fa [2018] No. 3 provides any cross-border transactions that use a foreign exchange currency can use Renminbi for settlement. Domestic enterprises which issue RMB bonds abroad may, upon completing relevant formalities in accordance with macro-prudential regulations on comprehensive cross-border financing, remit the funds raised overseas to the PRC for their use as actually needed. The RMB funds raised by domestic enterprises through issuing overseas shares may be remitted to China for use upon actual demands.

On 15 March 2019, SAFE issued Notice of the State Administration of Foreign Exchange on Promulgation of the Administrative Provisions on Centralised Operation of Cross-border Funds by Multinational Corporations (the "**Huifa (2019) No. 7**") (跨國公司跨境資金集中運營管理規定) (匯發 (2019)7號). According to the Huifa (2019) No. 7, a multinational corporation, which is a consortium consisting of a parent company, subsidiaries and other member enterprises or agencies, with capital as the bond, shall handle the centralised operation of cross-border funds mainly via the domestic master account of its lead enterprise. An overseas member company may be chosen to open a NRA account to centrally operate and manage the funds of overseas member companies upon its demands. There are no restrictions on the currency, as well as number of the opened domestic master account, which is a multi-currency (including CNY) account.

The Measures and the subsequent circulars will be subject to interpretation and application by the relevant PRC authorities. Local authorities may adopt different practices in applying the Measures and impose conditions for settlement of current account items.

Capital Account Items

Under PRC foreign exchange control regulations, capital account items include cross-border transfers of capital, direct investments, securities investments, derivative products and loans. Capital account payments are generally subject to approval of the relevant PRC authorities.

Capital account items are generally required to be made in foreign currencies. For instance, foreign investors (including any Hong Kong investors) are generally required to make any capital contribution to foreign invested enterprises in a foreign currency in accordance with the terms set out in the relevant joint venture contracts and/or articles of association as approved by the relevant authorities. Foreign invested enterprises or any other relevant PRC parties are also generally required to make capital account item payments including proceeds from liquidation, transfer of shares, reduction of capital and principal repayment under foreign debt to foreign investors in a foreign currency. That said, the relevant PRC authorities may approve a foreign entity to make a capital contribution or shareholder's loan to a foreign invested enterprise with Renminbi lawfully obtained by it outside the PRC and for the foreign invested enterprise to service interest and principal repayment to its foreign investor outside the PRC in Renminbi on a trial basis. The foreign invested enterprise may also be required to complete registration and verification process with the relevant PRC authorities before such Renminbi remittances.

On 7 April 2011, the SAFE issued the Notice on Relevant Issues regarding Streamlining the Business Operation of Cross-border Renminbi Capital Account Items, which clarifies, among other things, that the borrowing by an onshore entity (including a financial institution) of Renminbi loans from an offshore creditor shall in principle follow the current regulations on borrowing foreign debts and the provision by an onshore entity (including a financial institution) of external guarantee in Renminbi shall in principle follow the current regulations on the provision of external guarantee in foreign currencies.

On 3 June 2011, the PBOC promulgated the Circular on Clarifying Issues concerning Cross-border Renminbi Settlement (中國人民銀行關於明確跨境人民幣業務相關問題的通知) (the "**PBOC Circular**"). The PBOC Circular provides instructions to local PBOC authorities on procedures for the approval of settlement activities for non-financial Renminbi foreign direct investment into the PRC. The PBOC Circular applies to all non-financial Renminbi foreign direct investment into the PRC, and includes investment by way of establishing a new enterprise, acquiring an onshore enterprise, transferring the shares, increasing the registered capital of an existing enterprise, or providing loan facilities in Renminbi. The domestic settlement banks of foreign investors or foreign invested enterprises in the PRC are required to submit written applications to the relevant local PBOC authorities which include, *inter alia*, requisite approval letters issued by the relevant MOFCOM authorities. The PBOC Circular only applies to cases where the receiving onshore enterprise is not a financial institution. On 13 October 2011, the PBOC issued the PBOC RMB FDI Measures, to commence the PBOC's detailed RMB FDI administration system, which covers almost all aspects of RMB FDI, including capital injection, payment of purchase price in the acquisition of PRC domestic enterprises, repatriation of dividends and distribution, as well as RMB denominated cross-border loans. Under the PBOC RMB FDI Measures, special approval for RMB FDI and shareholder loans from the PBOC which was previously required by the PBOC Circular is no longer necessary.

On 14 June 2012, the PBOC issued the Notice on Clarifying the implementation of Settlement of Cross-Border Renminbi Direct Investment（中國人民銀行關於明確外商直接投資人民幣結 算業務操作細則的通知）, which provides more detailed rules for cross-border Renminbi direct investments and settlements.

On 5 July 2013, PBOC promulgated the Notice on Simplifying the Procedures of Cross-border Renminbi Business and Improving Relevant Policies (the "**PBOC Notice**"), which simplifies the operating procedures on current account cross-border Renminbi settlement and further publishes policies with respect to issuance of offshore Renminbi bonds by onshore non-financial institutions. The PBOC Notice intends to improve the efficiency of cross-border Renminbi settlement and facilitate the use of cross-border Renminbi settlement by banks and enterprises.

On 3 December 2013, MOFCOM promulgated the MOFCOM RMB FDI Circular, which has become effective on 1 January 2014, to further facilitate FDI by simplifying and streamlining the applicable regulatory framework. Pursuant to the MOFCOM RMB FDI Circular, the competent counterpart of MOFCOM will grant written approval for each FDI and specify "Renminbi Foreign Direct Investment" and the amount of capital contribution in the approval. Unlike previous MOFCOM regulations on FDI, the MOFCOM RMB FDI Circular removes the approval requirement for changes in the relevant joint venture contract or the articles of association of the joint venture company where foreign investors change the currency of its existing capital contribution from a foreign currency to Renminbi. In addition, the MOFCOM RMB FDI Circular also clearly prohibits the FDI funds from being used for any direct or indirect investment in securities and financial derivatives (except for strategic investment in the PRC listed companies) or for entrustment loans in the PRC. On 9 June 2016, the SAFE issued *the Notice on Reforming and Streamlining the Policies of Foreign Exchange Settlement Management of Capital Account Items* （國家外匯管理局關於改革和規範資本項目結匯管理政策的通知） (the "**SAFE Notice**"), which clarifies, among other things, as for foreign exchange income of capital account which implement the "at-will" foreign exchange settlement according to relevant regulations, domestic enterprises can complete the settlement in banks according to the actual operation.

As the MOFCOM RMB FDI Circular, the PBOC RMB FDI Measures and SAFE Notice are relatively new rules, they will be subject to interpretation and application by the relevant PRC authorities.

Further, if any new PRC regulations are promulgated in the future which have the effect of permitting or restricting (as the case may be) the remittance of Renminbi for payment of transactions categorised as capital account items, then such remittances will need to be made subject to the specific requirements or restrictions set out in such rules.

SUBSCRIPTION AND SALE

Summary of Dealer Agreement

The Dealers have, in a dealer agreement dated 17 May 2021 as amended and/or supplemented in a supplemental dealer agreement dated 14 April 2022 and as further amended and/or supplemented from time to time (the "**Dealer Agreement**"), agreed with the Issuer and the Guarantor a basis on which they or any of them may from time to time agree to subscribe Notes. Any such agreement will extend to those matters stated under "*Form of Notes*" and "*Terms and Conditions of the Notes*". Under the terms of the Dealer Agreement, the Issuer and the Guarantor will pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by it. The Issuer and the Guarantor have agreed to reimburse the Arrangers for certain of its expenses incurred in connection with the establishment of the Programme and any future update of the Programme and the Dealers for certain of their activities in connection with the Programme.

The Issuer and the Guarantor have agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

The Dealers and certain of their affiliates may have performed certain investment banking and advisory services for the Issuer, the Guarantor and/or their respective affiliates from time to time for which they have received customary fees and expenses and may, from time to time, engage in transactions with and perform services for the Issuer, the Guarantor and/or their respective affiliates in the ordinary course of their business.

The Dealers and certain of their respective affiliates may purchase the Notes and be allocated Notes for asset management and/or proprietary purposes and not with a view to distribution.

In connection with each Tranche of Notes issued under the Programme, the Dealers or certain of their affiliates may purchase Notes and be allocated Notes for asset management and/or proprietary purposes but not with a view to distribution. Further, the Dealers or their respective affiliates may purchase Notes for its or their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to such Notes and/or other securities of the Issuer, the Guarantor or their respective subsidiaries or affiliates at the same time as the offer and sale of each Tranche of Notes or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Tranche of Notes to which a particular Pricing Supplement relates (notwithstanding that such selected counterparties may also be purchasers of such Tranche of Notes).

Selling Restrictions

United States

The following paragraphs shall apply in respect of any Notes the Pricing Supplement for which specifies that "Regulation S Category 1" applies.

> The Notes and the Guarantee have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except in accordance with Regulation S or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Each Dealer represents and agrees that it has

not offered or sold or, in the case of Bearer Notes, delivered, and shall not offer or sell or, in the case of Bearer Notes, deliver, any Notes and the Guarantee constituting part of its allotment within the United States except in accordance with Rule 903 of Regulation S.

Accordingly, neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Notes and the Guarantee.

The following paragraphs shall apply in respect of any Notes the Pricing Supplement for which specifies that "Regulation S Category 2" applies.

The Notes and the Guarantee have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act ("**Regulation S**").

Each Dealer has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells the Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes and the Guarantee within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S.

The Notes are being offered and sold outside of the United States to non-U.S. persons in reliance on Regulation S.

In addition, until 40 days after the commencement of the offering of any identifiable tranche of the Notes and the Guarantee, an offer or sale of such tranche of Notes within the United States by a dealer that is not participating in the offering of such tranche of Notes may violate the registration requirements of the Securities Act.

Furthermore, for Bearer Notes, the Notes are subject to U.S. tax law requirements. For certain Bearer Notes, the Notes may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

Public Offer Selling Restriction under the Prospectus Directive

Prohibition of Sales to EEA Retail Investors:

Unless the Pricing Supplement in respect of any Notes specifies the "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

(a) the expression "retail investor" means a person who is one (or more) of the following:

  (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); or

  (i) a customer within the meaning of Directive (EU) 2016/97 (the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

  (ii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the "Prospectus Regulation"); and

(b) the expression an "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

EU Prospectus Regulation public offer selling restriction

If the Pricing Supplement in respect of any Notes specifies the "Prohibition of Sales to EEA Investors" as "Not Applicable", in relation to each Member State of the European Economic Area, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to the public in that Relevant Member State except that it may make an offer of such Notes to the public in that Member State:

(a) if the Pricing Supplement in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 1(4) of the Prospectus Regulation in that Member State (a "Non- exempt Offer"), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Member State or, where appropriate, approved in another Member State and notified to the competent authority in that Member State, provided that any such prospectus has subsequently been completed by the Pricing Supplement contemplating such Non-exempt Offer, in accordance with the Prospectus Regulation, in the period beginning and ending on the dates specified in such prospectus or Pricing Supplement, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer:

(i) at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;

(ii) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation), subject to obtaining the prior consent of the Relevant Dealers or Dealers nominated by the Issuer for any such offer; or

(iii) at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Notes referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an "offer of Notes to the public" in relation to any Notes in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes, and the expression "Prospectus Regulation" means Regulation (EU) 2017/1129.

Prohibition of sales to UK Retail Investors

Unless the Pricing Supplement in respect of any Notes specifies "Prohibition of Sales to UK Retail Investors" as "Not Applicable", each Dealer (severally, and not jointly) has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the United Kingdom. For the purposes of this provision:

(a) the expression "retail investor" means a person who is one (or more) of the following:

(i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or

(ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or

(iii) not a qualified investor as defined in Article 2 of the Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA (the "UK Prospectus Regulation"); and

(b) the expression an "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

UK Prospectus Regulation public offer selling restriction

If the Pricing Supplement in respect of any Notes specifies the "Prohibition of Sales to UK Retail Investors" as "Not Applicable", each Dealer (severally, and not jointly) has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to the public in the United Kingdom except that it may make an offer of such Notes to the public in the United Kingdom:

(a) *Qualified investors:* at any time to any legal entity which is a qualified investor as defined in the UK Prospectus Regulation;

(b) *Fewer than 150 offerees:* at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in Article 2 of the UK Prospectus Regulation) in the United Kingdom subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(c) *Other exempt offers:* at any time in any other circumstances falling within section 86 of the FSMA.

provided that no such offer of Notes referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to section 85 of the FSMA Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

For the purposes of this provision, the expression an “offer of Notes to the public” in relation to any Notes means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes and the expression “UK Prospectus Regulation” means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA.

United Kingdom

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that:

(a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 (the “**FSMA**”) by the Issuer;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Hong Kong

In relation to each Tranche of Notes to be issued by the Issuer under the Programme, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes except for Notes which are a "structured product" as defined in the Securities and Futures Ordinance (Cap.571) of Hong Kong (the "**SFO**") other than (i) to "professional investors" as defined in the SFO and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "Prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**CWUMPO**") or which do not constitute an offer to the public within the meaning of the CWUMPO; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

PRC

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that neither it nor any of its affiliates has offered or sold or will offer or sell any of the Notes in the PRC as part of the initial distribution of the Notes.

Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that the Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not offered or sold any Notes or caused such Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, the Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "**SFA**")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA. Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer under Section 275 of the SFA except:

(1) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law;

(4) pursuant to Section 276(7) of the SFA; or

(5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Issuer has, unless otherwise specified before an offer of Notes, determined the classification of the Notes to be issued under the Programme as prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**Financial Instruments and Exchange Act**"). Accordingly, each of the Dealers has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

Portugal:

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that:

(a) it has not advertised, offered, distributed, submitted to an investment intentions gathering procedure or sold and will not, directly or indirectly, advertise, offer, distribute, submit to an investment intentions gathering procedure or sell the Notes in circumstances which could qualify as a public offer of securities pursuant to the Portuguese Securities Code ("Código dos Valores Mobiliários") or in circumstances which would qualify as public placement of securities in the Portuguese market;

(b) the Notes may not be and will not be offered to the public in Portugal under circumstances which are deemed to be a public offer under the Portuguese Securities Code unless the requirements and provisions applicable to the public offerings in Portugal are met and registration, filing, approval or recognition procedure with the Portuguese Securities Market Commission ("Comissão do Mercado de Valores Mobiliários", "CMVM") is made;

(c) it has not distributed or caused to be distributed to the public in the Republic of Portugal any other offering material relating to the Notes; and

(d) all applicable provisions of the Portuguese Securities Code and any applicable regulations issued by Portuguese Securities Market Commission ("Comissão do Mercado de Valores Mobiliários") applicable to the issue of the Notes have been complied with regarding the Bonds, in any matters involving the Republic of Portugal.

General

If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Dealers or any affiliate of the Dealers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Dealers or such affiliate on behalf of the Issuer in such jurisdiction.

Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes the Offering Circular and any applicable Pricing Supplement and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and none of the Issuer, the Guarantor, the Trustee and any other Dealer shall have any responsibility therefor.

None of the Issuer, the Guarantor, the Trustee or any of the Dealers represent that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale. With regard to each Tranche, the relevant Dealer will be required to comply with any additional restrictions agreed between the Issuer and the relevant Dealer and set out in the applicable Pricing Supplement.

GENERAL INFORMATION

1. **Listing of Notes**: Application has been made to the HKSE for the listing of the Programme for 12 months after the date of this Offering Circular under which Notes may be issued to Professional Investors only. Notes listed on the HKSE will be traded on the HKSE in a board lot size of at least HK$500,000 (or its equivalent in other currencies). The issue price of Notes listed on the Hong Kong Stock Exchange will be expressed as a percentage of their principal amount. Transactions will normally be effected for settlement in the relevant specified currency and for delivery by the end of the second trading day after the date of the transaction. It is expected that dealings will, if permission is granted to deal in and for the listing of such Notes, commence on or about the next business day following the date of listing of the relevant Notes.

2. **Authorisations**: The Issuer has obtained all necessary consents, approvals and authorisations in connection with the establishment of the Programme. The establishment of the Programme was authorised by resolutions of the board of directors of the Issuer dated 23 February 2021 and the update of the Programme was authorised by the resolution passed at a meeting of the board of directors of the Issuer dated 11 April 2022. The Guarantor has obtained all necessary consents, approvals and authorisations in connection with the giving and performance of the Guarantee. The giving of the Guarantee was authorised by resolutions of the board of directors of the Guarantor on 30 March 2021 and the shareholders' general meeting on 15 May 2021.

3. **No Material Adverse Change**: Save as disclosed in this Offering Circular, there has been no material adverse change in the financial or trading position or prospects of the Issuer, the Guarantor or the Group since 31 December 2021.

4. **Litigation**: Save as disclosed in this Offering Circular, neither the Issuer, the Guarantor nor any of their subsidiaries is involved in any litigation or arbitration proceedings that the Guarantor believes are material in the context of the Notes nor is the Issuer or the Guarantor aware that any such proceedings are pending or threatened.

5. **Bearer Notes, Receipts, Coupons and Talons**: Each Bearer Note having a maturity of more than one year, Receipt, Coupon and Talon will bear the following legend: "Any United States person (as defined in the Internal Revenue Code of the United States) who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code".

6. **Clearing of the Notes**: The Notes may be accepted for clearance through Euroclear, Clearstream and the CMU. The appropriate ISIN and common code or CMU Instrument Number in relation to the Notes of each Tranche will be specified in the relevant Pricing Supplement. If the Notes are to be cleared through any additional or alternative Clearing System, the appropriate information will be specified in the applicable Pricing Supplement.

7. **Legal Entity Identifier**: The Legal Entity Identifier of the Issuer is 254900JMVZPIW810F274.

8. **Available Documents**: For so long as Notes may be issued pursuant to this Offering Circular, the following documents will be available on prior written request and satisfactory proof of holding (i) during usual business hours (being 9.00am to 3.00pm) on any weekday (Saturdays, Sundays and public holidays excepted), for inspection at the specified offices of the Issuing and Paying Agent, being at the date of this Offering Circular at and the CMU

Lodging and Paying Agent, being at the date of this Offering Circular at Level 26, Three Pacific Place, 1 Queen's Road East, Hong Kong; or (ii) may be provided by email to such holder requesting copies of such documents, subject to the Issuing and Paying Agent being supplied by the Issuer with copies of such documents:

(i) the Trust Deed (which includes the form of the Global Notes, the Notes in definitive form, the Coupons, the Receipts and the Talons);

(ii) the Agency Agreement;

(iii) the Memorandum and Articles of Association of the Issuer and the Guarantor;

(iv) copies of the Guarantor's audited consolidated financial statements as at, and for, the years ended 31 December 2020 and 2021;

(vi) each Pricing Supplement (save that a Pricing Supplement related to an unlisted Series of Notes will only be available to a holder of any such unlisted series of Notes); and

(vii) a copy of this Offering Circular together with any supplement to this Offering Circular and any other documents incorporated herein or therein referenced.

9. **Financial Statements**: The Guarantor's audited consolidated financial statements as at, and for, the years ended 31 December 2020 and 2021, which are included elsewhere in this Offering Circular, have been audited by Deloitte Touche Tohmatsu, as stated in its report appearing herein.

10. **NDRC Registration**: With respect to any applicable Tranche of the Notes, registration will be completed, or application for registration will be made, by the Guarantor in accordance with the NDRC Circular as set forth in the applicable Pricing Supplement. After issuance of any applicable Tranche of the Notes, the Guarantor shall report the issuance information to the NDRC within the time period prescribed in the NDRC Circular.

INDEX TO FINANCIAL INFORMATION

Notes:

(1) The audited consolidated financial statements of the Guarantor as at and for the years ended 31 December 2020 and 2021 set out herein have been reproduced from the Group's published audited consolidated financial statements as at and for the years ended 31 December 2020 and 2021, and the page references are reference to pages set forth in such consolidated financial statements.

Deloitte. 德勤

TO THE SHAREHOLDERS OF HAITONG UNITRUST INTERNATIONAL FINANCIAL LEASING CO., LTD.
(incorporated in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of Haitong Unitrust International Financial Leasing Co., Ltd. (海通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 204 to 328, which comprises the consolidated statement of financial position as at December 31, 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Expected credit loss allowance of finance lease receivables, receivables arising from sale and leaseback arrangements and loans and receivables	
We identified expected credit loss ("ECL") allowance of finance lease receivables, receivables arising from sale and leaseback arrangements and loans and receivables as a key audit matter due to the aggregate amount of these assets is material and it requires the application of judgment and estimation by the management to determine the amount of ECL. The measurement model for ECL involves significant judgements and estimations, including determination of whether there is significant increase in credit risk (SICR) and whether an asset is credit-impaired, the probability of default (PD) and loss given default (LGD), and incorporation of forward-looking information. As disclosed in Notes 20, 21 and 22, respectively, as at December 31, 2020, the Group held finance lease receivables of RMB49,929 million, less loss allowance of RMB1,518 million; receivables arising from sale and leaseback arrangements of RMB35,692 million, less loss allowance of RMB477 million; loans and receivables of RMB8,274 million, less loss allowance of RMB644 million.	Our procedures in relation to the expected credit loss allowance of finance lease receivables, receivables arising from sale and leaseback arrangements and loans and receivables included: • We understood management's process in credit approval, post approval monitoring, the identification of SICR indicators and impairment evidence, and data used in ECL model; • In particular, we tested the operating effectiveness of the controls over the identification of SICR indicators and impairment evidence; • On sample basis, we obtained credit analysis performed by management based on the business operating and financial information of the debtors, type of collaterals or guarantors to assess the appropriateness of the management's identification of SICR and credit-impaired assets; • With the support of our internal specialists, we evaluated the reasonableness of the ECL model methodology and related parameters including PD, LGD, SICR, risk exposure and forward-looking information; • For data used in ECL model, we tested, on sample basis, the credit risk grading, write-off and recovery data for the year by checking to the relevant information on the credit risk grading list and write-off list approved by the management, and actual recovery records; • For credit-impaired assets, we tested on a samples basis the reasonableness of future cash flows estimated by the Group, including the expected recoverable amount from the counterparties, guarantors, or realisation of collateral held in supporting the computation of loss allowance; and • Recalculating the ECL allowance made by management.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Mr. Shi Chung Fai.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
March 30, 2021

Consolidated Statement of Profit or Loss for the Year Ended December 31, 2020

	Notes	2020 RMB'000	2019 RMB'000
Revenue			
Finance lease income	5	3,932,864	4,552,042
Interest income from sale and leaseback arrangements	5	2,017,118	716,325
Operating lease income	5	464,433	433,634
Service fee income	5	1,148,831	1,065,371
Factoring interest income	5	312,109	306,216
Entrusted loan and other loan interest income	5	39,671	71,347
Total revenue		7,915,026	7,144,935
Net investment gains	6	34,484	3,755
Share of result of a joint venture	19	(40,339)	8,419
Other income, gains or losses	7	635,891	291,872
Total revenue and other income, gains or losses		8,545,062	7,448,981
Depreciation and amortisation	8	(359,048)	(257,043)
Staff costs	9	(585,468)	(546,404)
Interest expenses	10	(3,676,099)	(3,331,259)
Other operating expenses	11	(508,158)	(193,161)
Listing expenses		—	(31,451)
Impairment losses under expected credit loss model	12	(1,917,515)	(1,272,352)
Other impairment losses		(10,567)	(16,186)
Total expenses		(7,056,855)	(5,647,856)
Profit before income tax		1,488,207	1,801,125
Income tax expenses	13	(372,223)	(446,213)
Profit for the year		1,115,984	1,354,912

Consolidated Statement of Profit or Loss for the Year Ended December 31, 2020

	Notes	2020 RMB'000	2019 RMB'000
Attributable to:			
Owners of the Company			
— Ordinary shareholders		**1,065,289**	1,266,487
— Other equity instrument holders		**50,221**	50,148
Non-controlling interests		**474**	38,277
		1,115,984	1,354,912
Earnings per share attributable to ordinary shareholders of the Company (Expressed in RMB Yuan per share)			
— Basic	14	**0.13**	0.16
— Diluted	14	**N/A**	0.16

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Year Ended December 31, 2020

	2020 RMB'000	2019 RMB'000
Profit for the year	**1,115,984**	1,354,912
Other comprehensive (expense)/income:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**(72,867)**	27,892
Fair value (loss)/gain on hedging instrument designated as cash flow hedges	**(74,695)**	2,502
Other comprehensive (expense)/income for the year, net of income tax	**(147,562)**	30,394
Total comprehensive income for the year	**968,422**	1,385,306
Attributable to:		
Owners of the Company		
— Ordinary shareholders	**917,727**	1,296,881
— Other equity instrument holders	**50,221**	50,148
Non-controlling interests	**474**	38,277
	968,422	1,385,306

Consolidated Statement of Financial Position as at December 31, 2020

	Notes	2020/12/31 RMB'000	2019/12/31 RMB'000
Non-current assets			
Property and equipment	16	7,154,205	4,730,048
Right-of-use assets	17	165,036	185,720
Intangible assets	18	15,386	15,774
Finance lease receivables	20	20,751,276	24,786,256
Receivables arising from sale and leaseback arrangements	21	20,132,302	13,148,660
Interest in a joint venture	19	–	710,889
Financial assets at fair value through profit or loss	27	326,285	35,921
Loans and receivables	22	1,249,177	2,738,737
Deferred tax assets	23	1,540,986	1,006,941
Other assets	24	944,543	538,857
Total non-current assets		52,279,196	47,897,803
Current assets			
Finance lease receivables	20	27,660,127	28,155,387
Receivables arising from sale and leaseback arrangements	21	15,082,174	8,795,032
Loans and receivables	22	6,380,913	5,345,915
Other assets	24	952,265	921,422
Accounts receivable	25	36,913	16,682
Financial assets held under resale agreements	26	–	1,154,514
Financial assets at fair value through profit or loss	27	572,915	1,252,063
Derivative financial assets	28	–	49,619
Cash and bank balances	29	5,176,968	5,458,838
Total current assets		55,862,275	51,149,472
Total assets		108,141,471	99,047,275

Consolidated Statement of Financial Position
as at December 31, 2020

	Notes	2020/12/31 RMB'000	2019/12/31 RMB'000
Current liabilities			
Borrowings	30	**22,205,176**	19,660,876
Derivative financial liabilities	28	**359,910**	98,805
Accrued staff costs	31	**217,571**	175,986
Accounts payable	32	**30,118**	279,399
Bonds payable	33	**18,408,850**	20,114,151
Income tax payable		**663,899**	494,850
Other liabilities	34	**6,477,034**	5,359,619
Total current liabilities		**48,362,558**	46,183,686
Net current assets		**7,499,717**	4,965,786
Total assets less current liabilities		**59,778,913**	52,863,589
Equity			
Share capital	35	**8,235,300**	8,235,300
Reserves			
— Capital reserve	36	**2,497,465**	2,497,465
— Surplus reserve	36	**409,181**	314,999
— Hedging reserve	36	**(72,193)**	2,502
— Translation reserve	36	**(54,592)**	18,275
Retained profits		**3,263,152**	2,967,374
Other equity instruments	37	**1,523,756**	1,237,212
Equity attributable to owners of the Company			
— Ordinary shareholders		**14,278,313**	14,035,915
— Other equity instrument holders		**1,523,756**	1,237,212
Non-controlling interests		**51,730**	16,660
Total equity		**15,853,799**	15,289,787

	Notes	2020/12/31 RMB'000	2019/12/31 RMB'000
Non-current liabilities			
Borrowings	30	21,796,398	18,096,373
Bonds payable	33	13,951,119	11,332,791
Deferred tax liabilities	23	18,295	10,808
Other liabilities	34	8,159,302	8,133,830
Total non-current liabilities		43,925,114	37,573,802
Total equity and non-current liabilities		59,778,913	52,863,589

The consolidated financial statements on pages 204 to 328 were approved and authorised for issue by the Board of Directors on March 30, 2021 and signed on behalf by:

Ding Xueqing
Chairman of the Board/
Executive Director

Zhou Jianli
Executive Director/
General Manager

Consolidated Statement of Changes in Equity for the Year Ended December 31, 2020

	Attributable to owners of the Company									
	Share capital RMB'000	Capital reserve RMB'000	Surplus reserve RMB'000	Hedging reserve RMB'000	Translation reserve RMB'000	Retained profits RMB'000	Ordinary shareholders Sub-total RMB'000	Other equity instruments RMB'000	Non-controlling interest RMB'000	Total equity RMB'000
At December 31, 2019	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 year	–	–	–	–	–	1,065,289	1,065,289	50,221	474	1,115,984
Other comprehensive expense for the year	–	–	–	(74,695)	(72,867)	–	(147,562)	–	–	(147,562)
Total comprehensive (expense)/ income for the year	–	–	–	(74,695)	(72,867)	1,065,289	917,727	50,221	474	968,422
Capital injection by non-controlling interests (Note 51)	–	–	–	–	–	–	–	–	34,596	34,596
Issuance of other equity instrument	–	–	–	–	–	–	–	286,500	–	286,500
Appropriation to surplus reserve	–	–	94,182	–	–	(94,182)	–	–	–	–
Distribution of other equity instruments	–	–	–	–	–	–	–	(50,211)	–	(50,211)
Dividends recognised as distribution (Note 15)	–	–	–	–	–	(675,295)	(675,295)	–	–	(675,295)
Others	–	–	–	–	–	(34)	(34)	34	–	–
At December 31, 2020	8,235,300	2,497,465	409,181	(72,193)	(54,592)	3,263,152	14,278,313	1,523,756	51,730	15,853,799

Consolidated Statement of Changes in Equity
for the Year Ended December 31, 2020

	Attributable to owners of the Company									
	Share capital RMB'000	Capital reserve RMB'000	Surplus reserve RMB'000	Hedging reserve RMB'000	Translation reserve RMB'000	Retained profits RMB'000	Ordinary shareholders Sub-total RMB'000	Other equity instruments RMB'000	Non-controlling interest RMB'000	Total equity RMB'000
At January 1, 2019	7,000,000	1,780,163	203,446	–	(9,617)	2,211,807	11,185,799	1,237,008	495,001	12,917,808
Profit for the year	–	–	–	–	–	1,266,487	1,266,487	50,148	38,277	1,354,912
Other comprehensive income for the year	–	–	–	2,502	27,892	–	30,394	–	–	30,394
Total comprehensive income for the year	–	–	–	2,502	27,892	1,266,487	1,296,881	50,148	38,277	1,385,306
Issuance of shares, net (Note 35)	1,235,300	728,501	–	–	–	–	1,963,801	–	–	1,963,801
Capital injection by non-controlling interests (Note 51)	–	–	–	–	–	–	–	–	14,304	14,304
Appropriation to surplus reserve	–	–	111,553	–	–	(111,553)	–	–	–	–
Distribution of other equity instruments	–	–	–	–	–	12,516	12,516	(50,062)	–	(37,546)
Dividends recognised as distribution	–	–	–	–	–	(411,765)	(411,765)	–	–	(411,765)
Effect of acquisition of a subsidiary	–	(11,199)	–	–	–	–	(11,199)	–	(530,922)	(542,121)
Others	–	–	–	–	–	(118)	(118)	118	–	–
At December 31, 2019	8,235,300	2,497,465	314,999	2,502	18,275	2,967,374	14,035,915	1,237,212	16,660	15,289,787

Consolidated Statement of Cash Flows for the Year Ended December 31, 2020

	2020 RMB'000	2019 RMB'000
OPERATING ACTIVITIES		
Profit before income tax	1,488,207	1,801,125
Adjustments for:		
Interest expenses	3,676,099	3,331,259
Interest income from deposits with financial institutions	(73,459)	(71,667)
Impairment losses recognised	1,928,082	1,288,538
Depreciation and amortisation	359,048	257,043
Loss/(gain) on disposal of property and equipment	250	(42)
Share of result of a joint venture	40,339	(8,419)
Foreign exchange losses, net	4,032	10,382
Net gains arising from financial assets at fair value through profit or loss	(9,375)	(8,569)
Unrealised fair value change	(8,313)	91,822
Operating cash flows before movements in working capital	7,404,910	6,691,472
Decrease in finance lease receivables	5,626,359	7,971,983
Increase in receivables arising from sale and leaseback arrangements	(13,289,752)	(22,193,103)
Decrease/(increase) in loans and receivables	54,499	(1,658,829)
Decrease in financial assets at fair value through profit or loss	574,002	1,041,000
(Increase)/decrease in accounts receivable	(39,439)	13,513
Increase in other assets	(330,604)	(322,592)
Increase in accrued staff costs	36,480	37,793
Decrease in accounts payable	(249,281)	(121,739)
Increase in other liabilities	439,963	2,385,378
Cash generated from/(used in) operations	227,137	(6,155,124)
Income taxes paid, net	(665,623)	(587,607)
Interest received	73,459	71,667
Interest paid	(3,036,868)	(2,695,169)
NET CASH USED IN OPERATING ACTIVITIES	(3,401,895)	(9,366,233)

Consolidated Statement of Cash Flows
for the Year Ended December 31, 2020

	Notes	2020 RMB'000	2019 RMB'000
INVESTING ACTIVITIES			
Proceeds on sale of financial assets held under resale agreements		3,781,400	17,690,300
Proceeds on sale of financial assets at fair value through profit or loss		7,510,481	6,312,569
Disposal of property and equipment		17	77
(Payments)/proceeds of restricted deposits		(200,313)	215,535
Purchase of financial assets held under resale agreements		(3,200,600)	(17,862,500)
Purchase of financial assets at fair value through profit or loss		(7,267,865)	(6,291,000)
Purchase of asset-backed securities		(52,730)	—
Purchase of property and equipment and intangible assets		(2,765,741)	(918,147)
Acquisition of a subsidiary		(812,602)	(172,314)
NET CASH USED IN INVESTING ACTIVITIES		(3,007,953)	(1,025,480)
FINANCING ACTIVITIES			
Proceeds from issuance of ordinary shares		—	2,040,364
Proceeds from issuance of other equity instrument		286,500	—
Proceeds from capital injection of the non-controlling investors		34,596	14,304
Proceeds from borrowings	41	27,719,873	27,427,708
Proceeds from issuance of bonds	41	30,080,599	28,563,754
Repayment of borrowings	41	(22,015,696)	(21,033,719)
Repayment of bonds payable	41	(29,169,117)	(24,525,841)
Repayments of lease liabilities	41	(63,994)	(41,184)
Payments for the costs of borrowing	41	(63,222)	(61,783)
Payments for the costs of bonds issuance	41	(153,578)	(93,229)
Payment for the costs of other equity instruments issuance		(2,402)	(2,186)
Issue costs paid		—	(65,866)
Payment of distribution of other equity instruments	41	(50,211)	(50,062)
Payment of dividends	41	(675,295)	(411,765)
NET CASH FROM FINANCING ACTIVITIES		5,928,053	11,760,495
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(481,795)	1,368,782
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	40	5,053,127	3,662,767
Effect of foreign exchange rate changes		(373)	21,578
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	40	4,570,959	5,053,127

Notes to the Consolidated Financial Statements for the Year Ended December 31, 2020

1. GENERAL INFORMATION

Haitong Unitrust International Financial Leasing Co., Ltd. (海通恒信國際融資租賃股份有限公司) (the "Company") was listed on The Stock Exchange of Hong Kong Limited and issued 1,235,300,000 H shares with par value of RMB1 on June 3, 2019. The registered office of the Company is located at No.599 South Zhongshan Road, Huang Pu District, Shanghai, the People's Republic of China (the "PRC").

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

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

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in IFRSs Standards* and the following amendments to IFRSs issued by the International Accounting Standards Board ("IASB") for the first time, which are mandatorily effective for the annual period beginning on or after January 1, 2020 for the preparation of the consolidated financial statements:

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

The application of the *Amendments to References to the Conceptual Framework in IFRSs Standards* and the amendments to IFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (CONTINUED)

New and amendments to IFRSs in issue but not yet effective

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

IFRS 17	Insurance Contracts and the related Amendments[1]
Amendment to IFRS 16	Covid-19-Related Rent Concessions[4]
Amendments to IFRS 3	Reference to the Conceptual Framework[2]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform — Phase 2[5]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[1]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to IAS 8	Definition of Accounting Estimates[1]
Amendments to IAS 16	Property, Plant and Equipment — Proceeds before Intended Use[2]
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract[2]
Amendments to IFRSs	Annual Improvements to IFRSs 2018–2020[2]

1 Effective for annual periods beginning on or after January 1, 2023.

2 Effective for annual periods beginning on or after January 1, 2022.

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

4 Effective for annual periods beginning on or after June 1, 2020.

5 Effective for annual periods beginning on or after January 1, 2021.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statements

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

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

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets.*

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of preparation of consolidated financial statements (continued)

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

3.2 Significant accounting policies

Basis of consolidation

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

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

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

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

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Basis of consolidation (continued)

Changes in the Group's interests in existing subsidiaries

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

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

Business combinations

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

Except for certain recognition exemptions, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the IASB's *Conceptual Framework for Financial Reporting* issued in September 2010.

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Business combinations (continued)

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

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Business combinations (continued)

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

Investments in subsidiaries

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

Investments in a joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of the joint venture are incorporated in the consolidated financial statements using the equity method of accounting. The financial statements of the joint venture used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances.

Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. Changes in net assets of the joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Investments in a joint venture (continued)

The Group assesses whether there is an objective evidence that the interest in a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former joint venture and the retained interest is a financial asset within the scope of IFRS 9, the Group measures the retained interest at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the joint venture, and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the joint venture is included in the determination of the gain or loss on disposal of the joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that joint venture on the same basis as would be required if that joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant joint venture.

When the Group reduces its ownership interest in a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When the Group increases its ownership interest in a joint venture, the consideration transferred to acquire the additional shares should be added to the existing carrying amount of the investment without remeasurement of the previously held interest.

When a group entity transacts with a joint venture of the Group, profits and losses resulting from the transactions with the joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Property and equipment

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

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

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

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

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

	Estimated residual value rates	Estimated useful lives
Electronic equipment	5%	3–5 years
Motor vehicles	5%	6 years
Office equipment	5%	3–5 years
Leasehold improvements	nil	2–5 years
Leasehold land and buildings	5%	30–35 years

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Property and equipment (continued)

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

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

Investment properties

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

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

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

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

Properties under development/properties for sale

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Intangible assets

Intangible assets acquired separately

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

Derecognition of intangible assets

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

Impairment on tangible and intangible assets other than goodwill

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Impairment on tangible and intangible assets other than goodwill (continued)

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

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

Leases

Definition of a lease

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

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

The Group as a lessee

Allocation of consideration to components of a contract

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

Non-lease components are separated from lease component on the basis of their relative stand-alone prices.

Short-term leases and leases of low-value assets

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

Right-of-use assets

The cost of right-of-use asset includes:

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

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

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

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

Refundable rental deposits

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

Lease liabilities

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

Lease liabilities (continued)

The lease payments include:

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

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

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment; or
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities within “borrowings”.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognised as receivables at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Initial direct costs (other than those incurred by manufacturer or dealer lessors) are included in the initial measurement of the net investments in the leases. Interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessor (continued)

Classification and measurement of leases (continued)

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term.

Interest and rental income which are derived from the Group's ordinary course of business are presented as revenue.

Refundable rental deposits

Refundable rental deposits received are accounted for under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Lease modification

Changes in considerations of lease contracts that were not part of the original terms and conditions are accounted for as lease modifications, including lease incentives provided through forgiveness or reduction of rentals.

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Sale and leaseback transactions

The Group applies the requirements of IFRS 15 to assess whether sale and leaseback transaction constitutes a sale by the Group.

The Group as a buyer-lessor

For a transfer of asset that does not satisfy the requirements of IFRS 15 to be accounted for as a sale of asset, the Group as a buyer-lessor does not recognise the transferred asset and recognises a receivable arising from sale and leaseback arrangements equal to the transfer proceeds within the scope of IFRS 9.

For a transfer of asset that satisfies the requirements of IFRS 15 to be accounted for as a sale of asset, the Group as a buyer-lessor accounts for the purchase of the asset applying applicable standards, and for the lease applying the lessor accounting requirements in accordance with IFRS 16.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency (foreign currencies) are recognised at the rates of exchanges prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into RMB, which is the presentation currency of the Group, using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period or the exchange rates similar with the spot exchange rate on the date of the transaction. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (and attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the shareholders of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. For properties under development for which revenue is recognised over time, the Group ceases to capitalise borrowing costs as soon as the properties are ready for the Group's intended sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income, gains or losses".

Employee benefits

Short-term and other long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries in the period the related service is rendered after deducting any amount already paid.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

Social welfare

Social welfare expenditure refers to payments for employees' social welfare system established by the government of the PRC, including social pension insurance, health care insurance, housing funds and other social welfare contributions. The Group contributes on a regular basis to these funds based on certain percentage of the employees' salaries and the contributions are recognised in profit or loss for the period when employees have rendered service entitling them to the contribution.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit/loss before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Taxation (continued)

Deferred tax (continued)

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group applies IAS 12 *Income Taxes* requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

Current and deferred tax for the year

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest which are derived from the Group's ordinary course of business are presented as revenue.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 *Business Combinations* applies.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that is required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit- impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "net investment gains" line item.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets which are subject to impairment assessment under IFRS 9, including bank balances, finance lease receivables, receivables arising from sale and leaseback arrangements, loans and receivables, financial assets held under resale agreements, accounts receivable and other financial assets. The amount of ECL is updated at the end of each reporting period to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument (referred to as Stage 2 and Stage 3). In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date (referred to as Stage 1). Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for accounts receivable. The ECL on these assets are assessed individually for debtors with significant balances and collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the borrower or issuer;

(b) the borrower is past due more than 90 days;

(c) the borrower is unlikely to pay its credit obligations to the Group in full;

(d) the disappearance of an active market for that financial asset because of financial difficulties; or

(e) other objective evidences of credit-impairment.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Credit-impaired financial assets (continued)

When assessing the likelihood of the borrower to pay its credit obligation, the Group takes into account both qualitative and quantitative indicators. Qualitative indicator, such as the breach of covenants, and quantitative indicators, such as overdue status and non-payment on another obligation of the same counterparty are key inputs in this analysis. The Group uses a variety of sources of information to assess credit-impairment which are either developed internally or obtained from external sources.

It may not be possible to identify a single discrete event. Instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Group assesses whether debt instruments that are measured at amortised cost are credit-impaired at each reporting date.

Significant increase in credit risk

The Group monitors all financial assets that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime ECL rather than 12-month ECL. The Group's accounting policy is to use the practical expedient that financial assets with 'low' credit risk at the reporting date are deemed not to have had a significant increase in credit risk. As a result, the Group monitors all financial assets that are subject to impairment for significant increase in credit risk.

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Significant increase in credit risk (continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- the borrower is past due more than 30 days;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on accounts receivable using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a finance lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with IFRS 16.

Lifetime ECL for certain finance lease receivables, receivables arising from sale and leaseback arrangements, loans and receivables, accounts receivable and other financial assets are considered on a collective basis taking into consideration the past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Measurement and recognition of ECL (continued)

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, except for finance lease receivables, receivables arising from sale and leaseback arrangements, loans and receivables, other assets, accounts receivable, financial assets held under resale agreements, cash and bank balances, where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss, with the exception of equity investment designated as measured at FVTOCI, where the cumulative gain or loss previously recognised in other comprehensive income is not subsequently reclassified to profit or loss, but is transferred to retained profits.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Perpetual instruments, which include no contractual obligation for the Group to deliver cash or other financial assets or the Group has the sole discretion to defer payment of distribution and redemption of principal amount indefinitely are classified as equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which IFRS 3 applies, (ii) held for trading, or (iii) it is designated as at FVTPL.

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities designated as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IFRS 9 are satisfied.

No financial liability is designated as at FVTPL by the Group.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Financial liabilities at amortised cost

Financial liabilities including borrowings, accounts payable, bonds payable, interest payable, bank acceptance bill, amounts due to related parties and other payables are subsequently measured at amortised cost, using the effective interest method.

Derecognition/modification of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, canceled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the contractual terms of a financial liability are modified, the Group assess whether the revised terms result in a substantial modification from original terms taking into account all relevant facts and circumstances including qualitative factors. If qualitative assessment is not conclusive, the Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly, such modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent.

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which case the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

All derivatives are recognised as assets when the fair value is positive and as liabilities when the fair value is negative.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets held under resale agreements

Financial assets that have been purchased under agreements with a commitment to resell at a specific future date are not recognised in the statement of financial position. The cost of purchasing such assets is presented under "financial assets held under resale agreements" in the consolidated statement of financial position.

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Hedge accounting

The Group designates certain derivatives as hedging instruments for cash flow hedges.

At the inception of the hedging relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

Assessment of hedging relationship and effectiveness

For hedge effectiveness assessment, the Group considers whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Hedge accounting (continued)

Assessment of hedging relationship and effectiveness (continued)

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

In assessing the economic relationship between the hedged item and the hedging instrument, the Group assumes that the interest rate benchmark on which the hedged cash flows and/or the hedged risk (contractually or non-contractually specified) are based, or the interest rate benchmark on which the cash flows of the hedging instrument are based, is not altered as a result of interest rate benchmark reform.

Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualified as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income. Furthermore, if the Group expects that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

Discontinuation of hedge accounting

The Group discontinues hedge accounting prospectively only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. Discontinuing hedge accounting can either affect a hedging relationship in its entirety or only a part of it (in which case hedge accounting continues for the remainder of the hedging relationship).

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Hedge accounting (continued)

Discontinuation of hedge accounting (continued)

For cash flow hedge, any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transactions is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and bank balances comprise cash on hand and at banks, including term deposits with original maturity of less than three months, which are not restricted as to use.

Revenue recognition

The Group recognises revenue to depict the transfer of promised services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services. A 5-step approach to revenue recognition is applied:

- Step 1: Identify the contract (s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Revenue recognition (continued)

A performance obligation represents a service (or a bundle of services) that is distinct or a series of distinct services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct service.

A contract asset represents the Group's right to consideration in exchange for services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

The Group recognises revenue from the following major sources:

(i) Finance lease income

The Group's accounting policy for recognition of revenue from finance leases is described in the accounting policy for leases above.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Revenue recognition (continued)

(ii) Interest income from sale and leaseback arrangements, factoring and entrusted loan and other loan.

Interest income from sale and leaseback arrangements, factoring interest income and entrusted loan and other loan interest income are recognised as revenue in each period using the effective interest method during the terms of the contract.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a timely basis using the effective interest method, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

(iii) Rental income from operating leases

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leases above.

(iv) Service fee income

Service fee income is from contracts with customers and recognised at a point in time when the services are completed under the terms of each service engagement and the revenue can be measured reliably, since only by that time the Group has a present right to payment from the customers for the service performed.

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3.2, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying accounting policies

The following are the critical judgments, apart from those estimations involved (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Classification of leases

The Group has entered into certain lease businesses whereby the Group has determined that it has transferred substantially all the risks and rewards incidental to ownership of the assets held for lease businesses to the lessees, as at the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset. Accordingly, the Group has excluded the assets held for lease businesses under finance lease from its consolidated statement of financial position and instead recognised finance lease receivables and receivables arising from sale and leaseback arrangements as disclosed in Notes 20 and 21. Otherwise the Group includes the assets held for lease businesses under operating lease in property and equipment. The determination of whether the Group has transferred substantially all the risks and rewards incidental to ownership depends on an assessment of the relevant arrangements relating to the lease, which involved critical judgments by management.

Classification of financial assets

Upon the initial recognition of financial assets, the Group needs to determine the classification of financial assets in accordance with IFRS 9. Since the subsequent measurement methods are different for various categories of financial assets, the classification of financial assets would have an impact on the Group's financial condition and operational results.

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of finance lease receivables, receivables arising from sale and leaseback arrangements and loans and receivables

The Group reviews its finance lease receivables, receivables arising from sale and leaseback arrangements and loans and receivables to assess impairment on a regular basis. The methodologies and assumptions used in estimating the ECL are reviewed regularly. The provision of ECL is sensitive to changes in estimates which involve high degree of judgment and uncertainty.

Following are the significant judgments and assumptions in estimating the ECL:

Significant increase in credit risk

As explained in Note 3.2, ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased, the Group takes into account qualitative and quantitative reasonable and supportable forward looking information.

Models and assumptions used

The Group uses various models and assumptions in estimating ECL, including Producer Price Index ("PPI") year on year percentage change, broad measure of money supply ("M2") year on year percentage change, Gross Domestic Product ("GDP") year on year percentage change and Consumer Price Index ("CPI") year on year percentage change. Judgment is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

Income taxes

There are certain transactions and activities for which the ultimate tax determination is subject to the final approval of annual tax return the group entities file with relevant tax authorities. Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will impact the current income tax and deferred income tax in the period during which such a determination is made.

5. REVENUE AND SEGMENT INFORMATION

	2020 RMB'000	2019 RMB'000
Finance lease income (note i)	**3,932,864**	4,552,042
Interest income from sale and leaseback arrangements (note ii)	**2,017,118**	716,325
Operating lease income	**464,433**	433,634
Service fee income (note iii)	**1,148,831**	1,065,371
Factoring interest income (note ii)	**312,109**	306,216
Entrusted loan and other loan interest income (note ii)	**39,671**	71,347
Total revenue	**7,915,026**	7,144,935

notes:

(i) The Group has no variable lease payments which is not included in the measurement of finance lease receivables for the year ended December 31, 2020 and 2019.

(ii) The interest income from sale and leaseback arrangements, factoring interest income and entrusted loan and other loan interest income are all interest revenue calculated using the effective interest method.

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

Segment reporting

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

Geographical information

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

Information about major customers

During the year ended December 31, 2020, there was no revenue from transactions with a single external customer amounting to 10% or more of the Group's total revenue (2019: nil).

6. NET INVESTMENT GAINS

	2020 RMB'000	2019 RMB'000
Net gains/(losses) arising from derivative financial instruments	3,033	(52,879)
Net gains arising from financial assets at fair value through profit or loss	31,222	56,634
Others	229	—
	34,484	3,755

7. OTHER INCOME, GAINS OR LOSSES

	2020 RMB'000	2019 RMB'000
Interest income from deposits with financial institutions	73,459	71,667
Interest income from financial assets held under resale agreements	42,692	76,726
Foreign exchange losses, net	(4,032)	(10,382)
Government grants (note i)	151,713	132,762
Losses on disposal of financial lease assets	(6,040)	(14,105)
Income from government outsourcing business (note ii)	330,266	—
Others	47,833	35,204
	635,891	291,872

notes:

(i) Government grants primarily consist of fiscal support that local governments offer to enterprises in financial leasing industry, etc.

(ii) During the year ended December 31, 2020, the Group has recognised relevant income from government outsourcing business and cost relating to government outsourcing business according to signed agreements, the cost refers to Note 11.

8. DEPRECIATION AND AMORTISATION

	2020 RMB'000	2019 RMB'000
Depreciation of property and equipment	290,356	207,344
Depreciation of right-of-use assets	63,404	45,509
Amortisation of intangible assets	5,288	4,190
	359,048	257,043

9. STAFF COSTS

	2020 RMB'000	2019 RMB'000
Salaries, bonus and allowances	479,150	422,978
Social welfare	86,363	111,413
Others	19,955	12,013
	585,468	546,404

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

10. INTEREST EXPENSES

	2020 RMB'000	2019 RMB'000
Interest on liabilities:		
Bank and other borrowings	2,261,268	1,877,994
Bonds payables	1,405,427	1,446,807
Lease liabilities	9,404	6,458
	3,676,099	3,331,259

11. OTHER OPERATING EXPENSES

	2020 RMB'000	2019 RMB'000
Cost relating to government outsourcing business (Note 7)	273,902	—
Advisory expenses	50,326	26,861
Business traveling expenses	44,696	51,721
Tax and surcharges	25,970	8,904
Communication expenses	16,057	11,524
Administrative expenses	12,338	8,927
Business development expenses	11,527	11,856
Bank charges	9,676	12,301
Short-term lease expenses	4,605	15,707
Property management expenses	16,300	5,825
Auditor's fee	3,473	3,102
Others	39,288	36,433
	508,158	193,161

12. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL

	2020 RMB'000	2019 RMB'000
Impairment loss recognised/(reversed) on:		
— finance lease receivables	1,266,219	739,086
— receivables arising from sale and leaseback arrangements	231,697	249,411
— loans and receivables	400,064	274,572
— accounts receivable	19,208	11,042
— financial assets held under resale agreements	(5,286)	(1,478)
— bank balances	14	(54)
— other assets	5,599	(227)
	1,917,515	1,272,352

13. INCOME TAX EXPENSES

	2020 RMB'000	2019 RMB'000
Current tax:		
PRC Enterprise Income Tax	811,575	721,131
Hong Kong Profit Tax	5,230	4,767
Other jurisdictions	148	171
Sub-total	816,953	726,069
Deferred tax	(444,730)	(279,856)
Total	372,223	446,213

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

The reconciliation between the income tax expense at the statutory tax rate of 25% and the effective tax rate is as follows:

	2020 RMB'000	2019 RMB'000
Profit before income tax	1,488,207	1,801,125
Tax at the statutory tax rate of 25%	372,052	450,281
Tax effect of expenses not deductible for tax purpose	5,053	31,194
Tax effect of income not taxable for tax purpose	(3,345)	(24,094)
Tax effect of share of loss or profit of a joint venture	7,942	(1,961)
Effect of different tax rates of subsidiaries	(9,479)	(9,207)
Income tax expense for the year	372,223	446,213

14. EARNINGS PER SHARE

	2020 RMB'000	2019 RMB'000
Earnings for the purpose of basic and diluted earnings per share:		
Profit for the year attributable to ordinary shareholders of the Company	**1,065,289**	1,266,487
Weighted average number of shares for basic earnings per share (in '000) (note)	**8,235,300**	7,717,489
Weighted average number of shares for diluted earnings per share (in '000)	**N/A**	7,717,489
Basic earnings per share (Expressed in RMB Yuan per share)	**0.13**	0.16
Diluted earnings per share (Expressed in RMB Yuan per share)	**N/A**	0.16

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

No diluted earnings per share for the year ended December 31, 2020 was presented as there were no potential ordinary shares in issue for the year.

15. DIVIDENDS

Subsequent to the end of the reporting period, based on 8,235,300,000 ordinary shares, the Board of Directors of the Company declared a cash dividend of RMB0.15 per 10 shares (tax inclusive) in respect of the year ended December 31, 2020 (the final dividend), in an aggregate amount of RMB123,529,500.00, which is subject to approval by the shareholders in the 2020 annual general meeting to be held by the Company (2019 final dividend: RMB362,353,200.00).

The interim cash dividend in respect of the six months ended June 30, 2020 was RMB0.38 per 10 shares (tax inclusive), in an aggregate amount of RMB312,941,400.00 (2019 interim dividend: RMB411,765,000.00).

16. PROPERTY AND EQUIPMENT

	2020 RMB'000	2019 RMB'000
Equipment held for operating lease business	5,684,346	4,547,076
Property and equipment held for administrative purpose	1,469,859	182,972
Total	7,154,205	4,730,048

As at December 31, 2020, the net carrying amount of the Group's property and equipment pledged as collateral for the Group's bank borrowings amounted to RMB6,699,427 thousand (as at December 31, 2019: RMB4,255,379 thousand).

16a. Equipment held for operating lease business

	Aircraft RMB'000
Cost	
As at December 31, 2019	4,861,461
Additions	1,804,594
Exchange differences	(456,693)
As at December 31, 2020	6,209,362
Accumulated depreciation	
As at December 31, 2019	314,385
Charge for the year	243,605
Exchange differences	(32,974)
As at December 31, 2020	525,016
Net carrying amount	
As at December 31, 2019	4,547,076
As at December 31, 2020	5,684,346

16. PROPERTY AND EQUIPMENT (CONTINUED)

16a. Equipment held for operating lease business (continued)

	Aircraft RMB'000
Cost	
As at December 31, 2018	4,284,375
Additions	486,888
Exchange differences	90,198
As at December 31, 2019	4,861,461
Accumulated depreciation	
As at December 31, 2018	116,967
Charge for the year	193,460
Exchange differences	3,958
As at December 31, 2019	314,385
Net carrying amount	
As at December 31, 2018	4,167,408
As at December 31, 2019	4,547,076

16. PROPERTY AND EQUIPMENT (CONTINUED)

16b. Property and equipment held for administrative purpose

	Motor vehicles RMB'000	Electronic equipment RMB'000	Office equipment RMB'000	Leasehold land and buildings RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
Cost							
As at December 31, 2019	6,079	21,963	6,738	94,255	30,210	72,268	231,513
Additions	236	3,072	5,848	1,249,915	28,220	45,570	1,332,861
Acquired through acquisition of a subsidiary	419	235	287	–	146	–	1,087
Transfer	–	9	320	38,179	63,236	(101,744)	–
Disposals	–	(36)	(1,015)	–	(12,352)	–	(13,403)
Exchange differences	–	(9)	(4)	–	(20)	–	(33)
As at December 31, 2020	6,734	25,234	12,174	1,382,349	109,440	16,094	1,552,025
Accumulated depreciation							
As at December 31, 2019	2,046	14,736	4,313	2,268	25,178	–	48,541
Charge for the year	909	3,814	1,435	20,382	20,211	–	46,751
Eliminated on disposals	–	(25)	(734)	–	(12,352)	–	(13,111)
Exchange differences	–	(4)	(2)	–	(9)	–	(15)
As at December 31, 2020	2,955	18,521	5,012	22,650	33,028	–	82,166
Net carrying amount							
As at December 31, 2019	4,033	7,227	2,425	91,987	5,032	72,268	182,972
As at December 31, 2020	3,779	6,713	7,162	1,359,699	76,412	16,094	1,469,859

	Motor vehicles RMB'000	Electronic equipment RMB'000	Office equipment RMB'000	Leasehold land and buildings RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
Cost							
As at December 31, 2018	5,112	18,723	6,392	18,550	30,521	7,057	86,355
Additions	1,379	3,235	374	75,705	660	65,960	147,313
Transfer	–	3	10	–	736	(749)	–
Disposals	(412)	(1)	(39)	–	(1,714)	–	(2,166)
Exchange differences	–	3	1	–	7	–	11
As at December 31, 2019	6,079	21,963	6,738	94,255	30,210	72,268	231,513
Accumulated depreciation							
As at December 31, 2018	1,737	11,037	3,224	965	19,372	–	36,335
Charge for the year	700	3,698	1,112	1,303	7,071	–	13,884
Eliminated on disposals	(391)	–	(23)	–	(1,267)	–	(1,681)
Exchange differences	–	1	–	–	2	–	3
As at December 31, 2019	2,046	14,736	4,313	2,268	25,178	–	48,541
Net carrying amount							
As at December 31, 2018	3,375	7,686	3,168	17,585	11,149	7,057	50,020
As at December 31, 2019	4,033	7,227	2,425	91,987	5,032	72,268	182,972

17. RIGHT-OF-USE ASSETS

	Land and buildings RMB'000	Others RMB'000	Total RMB'000
Cost			
As at December 31, 2019	253,656	243	253,899
Additions	42,489	26	42,515
Acquired through acquisition of a subsidiary	7,026	—	7,026
Disposals	(46,879)	(18)	(46,897)
Exchange differences	(484)	—	(484)
As at December 31, 2020	255,808	251	256,059
Accumulated depreciation			
As at December 31, 2019	68,075	104	68,179
Charge for the year	63,349	55	63,404
Eliminated on disposals	(40,320)	(17)	(40,337)
Exchange differences	(223)	—	(223)
As at December 31, 2020	90,881	142	91,023
Net carrying amount			
As at December 31, 2019	185,581	139	185,720
As at December 31, 2020	164,927	109	165,036

	Land and buildings RMB'000	Others RMB'000	Total RMB'000
Cost			
As at January 1, 2019	53,394	216	53,610
Additions	200,534	27	200,561
Disposals	(272)	—	(272)
As at December 31, 2019	253,656	243	253,899
Accumulated depreciation			
As at January 1, 2019	22,717	55	22,772
Charge for the year	45,460	49	45,509
Eliminated on disposals	(102)	—	(102)
As at December 31, 2019	68,075	104	68,179
Net carrying amount			
As at January 1, 2019	30,677	161	30,838
As at December 31, 2019	185,581	139	185,720

17. RIGHT-OF-USE ASSETS (CONTINUED)

The Group leases various land and buildings, vehicle and parking space for its operations. Lease contracts are entered into for term of 24 months to 74 months. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

For the year ended December 31, 2020, expense relating to short-term leases amounted to RMB4,605 thousand. For the year ended December 31, 2019, expense relating to short-term leases and other leases with lease terms end within 12 months of the date of initial application of IFRS 16 amounted to RMB15,707 thousand. For the year ended December 31, 2020 and 2019, no expense was related to leases of low-value assets excluding short-term leases of low value assets.

As at December 31, 2020 and 2019, the portfolio of short-term leases was similar to the portfolio of short-term leases to which the short-term lease expense disclosed in Note 11.

For the year ended December 31, 2020, total cash outflow for leases amounted to RMB78,003 thousand (2019: RMB63,349 thousand).

In addition, lease liabilities of RMB171,786 thousand were recognised as at December 31, 2020 (as at December 31, 2019: RMB189,040 thousand) (Note 30). For the year ended December 31, 2020, the interest expenses of lease liabilities amounted to RMB9,404 thousand (2019: RMB6,458 thousand) (Note 10). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

As at December 31, 2020 and 2019, the Group did not enter into any lease that was not yet commenced.

18. INTANGIBLE ASSETS

	Computer software and others RMB'000
Cost	
As at December 31, 2019	34,305
Additions	4,175
Acquired through acquisition of a subsidiary	725
As at December 31, 2020	39,205
Accumulated amortisation	
As at December 31, 2019	18,531
Charge for the year	5,288
As at December 31, 2020	23,819
Carrying amount	
As at December 31, 2019	15,774
As at December 31, 2020	15,386

18. INTANGIBLE ASSETS (CONTINUED)

	Computer software and others RMB'000
Cost	
As at December 31, 2018	28,683
Additions	5,622
As at December 31, 2019	34,305
Accumulated amortisation	
As at December 31, 2018	14,341
Charge for the year	4,190
As at December 31, 2019	18,531
Carrying amount	
As at December 31, 2018	14,342
As at December 31, 2019	15,774

19. INTEREST IN A JOINT VENTURE

	2020/12/31 RMB'000	2019/12/31 RMB'000
The Group's share of loss or profit from the joint venture's continuing operations	(40,339)	8,419
Exchange difference	(37,474)	(3,191)
The carrying amount of 25% shares of net assets through the acquisition of Haitong UT Holding Limited (note i)	–	459,863
Transfer out of carrying amount of net assets in the business combination (note ii)	(633,076)	–
Aggregate carrying amount of the Group's interests in a joint venture	–	710,889

19. INTEREST IN A JOINT VENTURE (CONTINUED)

Details of the Group's joint venture are as follows:

Name of entity	Country of incorporation	Principal place of business	Proportion of ownership interest held by group 2020	2019	Principal activity
Gui'an UT Financial Leasing (Shanghai) Co., Ltd. ("Gui'an UT") (貴安恒信融資租賃(上海)有限公司) (貴安恒信) (note ii)	PRC	PRC	100%	40%	Leasing

notes:

(i) The Group acquired 25% shares of the Joint Venture through the acquisition of Haitong UT Holding Limited in 2019. After the acquisition, the Group held 40% interest of Gui'an UT as at December 31, 2019.

(ii) In September, 2020, the Company entered into agreements with Guizhou Gui'an Financial Investment Co., Ltd. ("Guian Financial Investment") to further acquire 60% shares of Gui'an UT (currently known as Haitong UT MSE Financial Leasing (Shanghai) Co., Ltd (海通恒信小微融資租賃(上海)有限公司)). After the acquisition, Gui'an UT became a subsidiary of the Company subsequently. Refer to Note 52 for details.

20. FINANCE LEASE RECEIVABLES

	2020/12/31 RMB'000	2019/12/31 RMB'000
Minimum finance lease receivables		
— Within one year	31,181,156	31,614,990
— In the second year	16,998,643	18,316,347
— In the third year	5,451,619	7,717,572
— In the fourth year	480,912	1,102,009
— In the fifth year	295,766	196,705
— After five years	501,855	401,150
Gross amount of finance lease receivables	54,909,951	59,348,773
Less: Unearned finance lease income	(4,980,779)	(4,984,413)
Present value of minimum finance lease receivables	49,929,172	54,364,360
Less: Loss allowance	(1,517,769)	(1,422,717)
Carrying amount of finance lease receivables	48,411,403	52,941,643
Present value of minimum finance lease receivables		
— Within one year	28,544,638	28,957,576
— In the second year	15,457,681	16,798,678
— In the third year	4,861,631	7,064,671
— In the fourth year	397,837	1,017,695
— In the fifth year	249,560	186,959
— After five years	417,825	338,781
Total	49,929,172	54,364,360
Analysed as:		
Current	27,660,127	28,155,387
Non-current	20,751,276	24,786,256
Total	48,411,403	52,941,643

20. FINANCE LEASE RECEIVABLES (CONTINUED)

The Group entered into finance lease arrangements with leased assets for certain machinery equipment for infrastructure, transportation and logistics industries, etc. Substantially all finance lease of the Company and its subsidiaries are denominated in RMB. The terms of finance leases entered into range from one to ten years.

As at December 31, 2020, the Group's finance lease receivables pledged as collateral for the Group's bank and other financial institutions borrowings amounted to RMB3,588,312 thousand (as at December 31, 2019: RMB8,832,561 thousand).

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

Movements of loss allowance for finance lease receivables:

	Stage 1 12-months ECL RMB'000	Stage 2 Lifetime ECL not credit-impaired RMB'000	Stage 3 Lifetime ECL credit-impaired RMB'000	Total RMB'000
As at December 31, 2019	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	707,113	429,307	381,349	1,517,769

20. FINANCE LEASE RECEIVABLES (CONTINUED)

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

Analysis of present value of minimum finance lease receivables:

	Stage 1 **12-months ECL** **RMB'000**	**Stage 2** **Lifetime ECL not credit-impaired** **RMB'000**	**Stage 3** **Lifetime ECL credit-impaired** **RMB'000**	**Total** **RMB'000**
As at December 31, 2020	**46,916,654**	**2,177,676**	**834,842**	**49,929,172**
As at December 31, 2019	52,243,091	1,675,580	445,689	54,364,360

In 2020, the amount of the Group's finance lease receivables at stage 1 decreased, and the amount of the loss allowances of this stage decreased accordingly. The increase in the amount of the Group's finance lease receivables at stage 3 was mainly due to the transfer from stage 2, and the amount of loss allowances in stage 3 increased.

Since the application of IFRS 16 on January 1, 2019, receivables from sale and leaseback transactions newly entered into on or after January 1, 2019 which do not satisfy the requirements of IFRS 15 as a sale are reclassified from finance lease receivables to receivables arising from sale and leaseback arrangements, The amount of loss allowances for finance lease receivables at stage 1 decreased accordingly in 2019.

21. RECEIVABLES ARISING FROM SALE AND LEASEBACK ARRANGEMENTS

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

	2020/12/31 RMB'000	2019/12/31 RMB'000
— Within one year	16,834,046	9,922,821
— In the second year	11,662,335	7,783,770
— In the third year	6,632,982	3,995,867
— In the fourth year	3,127,211	1,851,864
— In the fifth year	1,009,281	1,203,216
— After five years	43,031	—
Gross amount of receivables arising from sale and leaseback arrangements	39,308,886	24,757,538
Less: Interest adjustment	(3,617,226)	(2,564,435)
Present value of receivables arising from sale and leaseback arrangements	35,691,660	22,193,103
Less: Loss allowance	(477,184)	(249,411)
Carrying amount of receivables arising from sale and leaseback arrangements	35,214,476	21,943,692
Present value of receivables arising from sale and leaseback arrangements:		
— Within one year	15,285,831	8,894,996
— In the second year	10,589,223	6,977,512
— In the third year	6,022,041	3,581,967
— In the fourth year	2,839,184	1,660,044
— In the fifth year	916,313	1,078,584
— After five years	39,068	—
Total	35,691,660	22,193,103
Analysed as:		
Current	15,082,174	8,795,032
Non-current	20,132,302	13,148,660
Total	35,214,476	21,943,692

As at December 31, 2020, the Group's receivables arising from sale and leaseback arrangements pledged as collateral for the Group's bank and other financial institutions borrowings amounted to RMB9,757,835 thousand (as at December 31, 2019: RMB4,977,336 thousand).

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

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

	Stage 1 12-months ECL RMB'000	Stage 2 Lifetime ECL not credit-impaired RMB'000	Stage 3 Lifetime ECL credit-impaired RMB'000	Total RMB'000
As at December 31, 2019	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	455,567	11,128	10,489	477,184

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

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

	Stage 1 12-months ECL RMB'000	Stage 2 Lifetime ECL not credit-impaired RMB'000	Stage 3 Lifetime ECL credit-impaired RMB'000	Total RMB'000
As at December 31, 2020	35,612,607	57,604	21,449	35,691,660
As at December 31, 2019	22,156,131	34,461	2,511	22,193,103

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

In 2020, the amount of the Group's receivables arising from sale and leaseback arrangements at stage 1 increased, and the amount of the loss allowances of this stage increased accordingly.

22. LOANS AND RECEIVABLES

	2020/12/31 RMB'000	2019/12/31 RMB'000
Factoring receivables	7,480,392	7,675,554
Entrusted loans and other loans	793,929	1,181,445
Subtotal of loans and receivables	8,274,321	8,856,999
Less: Loss allowance for factoring receivables	(522,613)	(717,389)
Loss allowance for entrusted loans and other loans	(121,618)	(54,958)
Total	7,630,090	8,084,652
Analysed as:		
Current	6,380,913	5,345,915
Non-current	1,249,177	2,738,737
Total	7,630,090	8,084,652

22. LOANS AND RECEIVABLES (CONTINUED)

22a. The table below illustrates the gross and net amounts of factoring receivables:

	2020/12/31 RMB'000	2019/12/31 RMB'000
Within one year	6,973,570	5,398,790
More than one year but not exceeding five years	1,148,934	2,928,399
More than five years	75,789	163,204
Gross amount of factoring receivables	8,198,293	8,490,393
Less: Interest adjustment	(717,901)	(814,839)
Present value of factoring receivables	7,480,392	7,675,554
Less: Loss allowance	(522,613)	(717,389)
Carrying amount of factoring receivables	6,957,779	6,958,165
Present value of factoring receivables:		
— Within one year	6,361,611	4,880,474
— More than one year but not exceeding five years	1,049,657	2,647,600
— More than five years	69,124	147,480
Total	7,480,392	7,675,554

22b. The table below illustrates the present value and net amounts of entrusted loans and other loans:

	2020/12/31 RMB'000	2019/12/31 RMB'000
Within one year	571,688	969,958
More than one year but not exceeding five years	222,154	204,591
More than five years	87	6,896
Present value of entrusted loans and other loans	793,929	1,181,445
Less: Loss allowance	(121,618)	(54,958)
Carrying amount of entrusted loans and other loans	672,311	1,126,487

22. LOANS AND RECEIVABLES (CONTINUED)

22c. Movements of loss allowance for loans and receivables:

	Stage 1 12-months ECL RMB'000	Stage 2 Lifetime ECL not credit-impaired RMB'000	Stage 3 Lifetime ECL credit-impaired RMB'000	Total RMB'000
As at December 31, 2019	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	133,668	386,655	123,908	644,231

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

22. LOANS AND RECEIVABLES (CONTINUED)

22d. Analysis of loans and receivables balances:

	Stage 1 12-months ECL RMB'000	Stage 2 Lifetime ECL not credit-impaired RMB'000	Stage 3 Lifetime ECL credit-impaired RMB'000	Total RMB'000
As at December 31, 2020	**6,799,362**	**1,296,918**	**178,041**	**8,274,321**
As at December 31, 2019	6,843,637	1,539,777	473,585	8,856,999

23. DEFERRED TAXATION

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

	2020/12/31 RMB'000	2019/12/31 RMB'000
Deferred tax assets	**1,540,986**	1,006,941
Deferred tax liabilities	**(18,295)**	(10,808)
	1,522,691	996,133

23. DEFERRED TAXATION (CONTINUED)

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

	Loss allowance RMB'000	Changes in fair value of derivatives RMB'000	Changes in fair value of financial assets at fair value through profit and loss RMB'000	Deductible tax losses RMB'000	Accelerated depreciation RMB'000	Others RMB'000	Total RMB'000
As at January 1, 2019	732,361	(928)	(10,121)	21,136	(27,160)	679	715,967
Credit/(charge) to profit or loss	270,720	1,094	5,104	21,540	(18,589)	(13)	279,856
Credit to other comprehensive income	—	394	—	—	—	—	394
Exchange differences	3	12	—	565	(664)	—	(84)
As at December 31, 2019	1,003,084	572	(5,017)	43,241	(46,413)	666	996,133
Credit/(charge) to profit or loss	431,474	153	(2,238)	19,502	(18,763)	14,602	444,730
Charge to other comprehensive income	—	(199)	—	—	—	—	(199)
Acquired through acquisition of a subsidiary	81,978	—	—	—	—	—	81,978
Exchange differences	(9)	(106)	—	(3,900)	4,111	(47)	49
As at December 31, 2020	1,516,527	420	(7,255)	58,843	(61,065)	15,221	1,522,691

24. OTHER ASSETS

Non-current

	2020/12/31 RMB'000	2019/12/31 RMB'000
Repossession of finance lease assets	**191,151**	111,680
Prepayments on acquisition of property and equipment and intangible assets	**5,991**	290,486
Long-term receivables from government cooperation projects (note)	**463,302**	75,277
Foreclosed assets	**83,384**	59,568
Assets with continuing involvement	**60,338**	—
Junior tranches of asset-backed securities	**62,132**	—
Deposits	**20,805**	9,032
Others	**76,509**	—
Sub-total	**963,612**	546,043
Less: Loss allowance	**(19,069)**	(7,186)
Total	**944,543**	538,857

note: The Group provides financing services to local government-led infrastructure development and operation project participants through the public-private partnership model ("PPP Model"). The receivables from government generated from PPP Model is recognised in long-term receivables from government cooperation projects and project payables is recognised in government cooperation project payables, refer to Note 34.

24. OTHER ASSETS (CONTINUED)

Current

	2020/12/31 RMB'000	2019/12/31 RMB'000
Government project deposits	—	150,200
Value-added tax ("VAT") credit and others	297,578	133,043
Properties under development	290,079	496,185
Completed properties for sale	230,175	—
Prepayments	81,782	88,801
Deposits	11,909	13,128
Others	40,800	40,881
Sub-total	952,323	922,238
Less: Loss allowance	(58)	(816)
Total	952,265	921,422

Movement of loss allowance for other assets are as follows:

	2020/12/31 RMB'000	2019/12/31 RMB'000
At beginning of the year	8,002	5,339
Charged to profit or loss (note)	16,166	15,959
Derecognition	(5,041)	(13,294)
Exchange differences	—	(2)
At end of the year	19,127	8,002

note: The loss allowance for other assets charged for the year ended December 31, 2020 including impairment losses under expected credit loss model amounted to RMB5,599 thousand (refer to Note 12) and other impairment losses amounted to RMB10,567 thousand (2019: RMB(227) thousand and RMB16,186 thousand).

25. ACCOUNTS RECEIVABLE

	2020/12/31 RMB'000	2019/12/31 RMB'000
Accounts receivable from:		
— settlement of finance lease receivable	37,142	27,803
— operating lease	30,085	—
— others	4,016	4,016
Sub-total	71,243	31,819
Less: Loss allowance	(34,330)	(15,137)
Total	36,913	16,682

Analysed by aging as:

	2020/12/31 RMB'000	2019/12/31 RMB'000
Within one year	36,913	—
More than one year but not exceeding three years	—	16,682
Total	36,913	16,682

Movement of loss allowance for accounts receivable are as follows:

	2020/12/31 RMB'000	2019/12/31 RMB'000
At beginning of the year	15,137	4,251
Charged to profit or loss	19,208	11,042
Write-offs	—	(155)
Exchange differences	(15)	(1)
At end of the year	34,330	15,137

26. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	2020/12/31 RMB'000	2019/12/31 RMB'000
Finance lease receivables held under resale agreements	–	828,000
Treasury bonds held under resale agreements	–	331,800
Sub-total	–	1,159,800
Less: Loss allowance	–	(5,286)
Total	–	1,154,514

27. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020/12/31 RMB'000	2019/12/31 RMB'000
Measured at fair value:		
Funds (note)	260,841	835,989
Wealth management products	30,006	–
Equity instruments	447,810	35,921
Structured deposits	–	340,125
Asset management schemes and trust plans	160,543	75,949
Total	899,200	1,287,984
Analysed as:		
Unlisted	517,311	1,287,984
Listed	381,889	–
Analysed as:		
Current	572,915	1,252,063
Non-current	326,285	35,921
Total	899,200	1,287,984

note: As at December 31, 2020, funds amounting to RMB100,000 thousand were managed by HFT Investment Management Co., Ltd. (December 31, 2019: RMB601,633 thousand). For the year ended December 31, 2020, net gains from the above funds amounted to RMB2,490 thousand (2019: RMB14,951 thousand).

28. DERIVATIVE FINANCIAL INSTRUMENTS

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

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

As at December 31, 2020, fixed interest rates for USD IRS ranged from 1.3700% to 4.3650% (December 31, 2019: from 3.4900% to 4.3650%).

As at December 31, 2020, currency forwards with forward exchange rates of buying USD and selling RMB ranged from 6.7910 to 7.3891 (December 31, 2019: from 6.9655 to 7.1854).

As at December 31, 2020, cross currency interest rate swaps with fixed interest rates for USD IRS ranged from 2.5600% to 4.2300% (December 31, 2019: from 3.6000% to 4.6545%) and with forward exchange rates of buying USD and selling RMB ranged from 6.5830 to 7.1839 (December 31, 2019: from 6.7350 to 6.9110).

Cash flow hedge

During the year ended December 31, 2020, the Group used interest rate swaps, currency forwards, cross currency interest rate swaps to hedge against exposures to cash flow variability primarily from interest rate and foreign exchange risks of borrowings.

During the year ended December 31, 2020, the Group's net loss from the cash flow hedge of RMB74,695 thousand was recognised in other comprehensive income(year ended December 31, 2019: net gains of RMB2,502 thousand).

29. CASH AND BANK BALANCES

	2020/12/31 RMB'000	2019/12/31 RMB'000
Restricted bank deposits (note)	606,032	405,719
Cash and bank balances	4,570,959	5,053,127
Less: Loss allowance	(23)	(8)
Total	5,176,968	5,458,838

note: This represents deposits held by the Group that were pledged mainly relating to bank acceptance bill, borrowings and aircraft maintenance funds as at December 31, 2020 and 2019, and were restricted for use.

30. BORROWINGS

	2020/12/31 RMB'000	2019/12/31 RMB'000
Bank borrowings	39,164,708	34,416,672
Borrowings from related parties	1,840,244	1,161,537
Other financial institutions borrowings	2,824,836	1,990,000
Lease liabilities	171,786	189,040
Total	44,001,574	37,757,249
Analysed as:		
Current	22,205,176	19,660,876
Non-current	21,796,398	18,096,373
Total	44,001,574	37,757,249

30. BORROWINGS (CONTINUED)

30a. Bank borrowings

	2020/12/31 RMB'000	2019/12/31 RMB'000
Secured borrowings	13,321,097	11,943,954
Unsecured and unguaranteed borrowings	25,843,611	22,472,718
Total	39,164,708	34,416,672
Analysed as:		
Current	20,255,373	18,192,371
Non-current	18,909,335	16,224,301
Total	39,164,708	34,416,672

	2020/12/31 RMB'000	2019/12/31 RMB'000
Carrying amount repayable:		
Within one year	20,255,373	18,192,371
More than one year but not exceeding two years	10,370,930	9,253,585
More than two years but not exceeding five years	7,948,646	5,815,956
More than five years	589,759	1,154,760
Total	39,164,708	34,416,672

The secured borrowings were pledged by finance lease receivables, receivables arising from sale and leaseback arrangements and bank deposits. Certain secured borrowings were also mortgaged by property and equipment and the Company's equity interests in subsidiaries. Refer to Notes 16, 20, 21 and 29 for details.

30. BORROWINGS (CONTINUED)

30a. Bank borrowings (continued)

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

	2020/12/31	2019/12/31
Contractual interest rate:		
Fixed-rate borrowings	2.3375%–5.45%	4.09%–5.45%
Floating-rate borrowings	The People's Bank Of China ("PBOC") lending Rate *100%–112%	PBOC lending Rate *90%–122%
	London Inter Bank Offered Rate ("LIBOR") Plus 0.92%–1.55%	LIBOR Plus 0.70%–1.75%
	Loan Prime Rate ("LPR") Plus -1.25%–1.47%	LPR Plus 0.075%–0.98%

30b. Borrowings from related parties

	2020/12/31 RMB'000	2019/12/31 RMB'000
Carrying amount repayable:		
Within one year	776,686	927,835
More than two years but not exceeding five years	1,063,558	233,702
Total	1,840,244	1,161,537

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

30. BORROWINGS (CONTINUED)

30c. Other financial institutions borrowings

	2020/12/31 RMB'000	2019/12/31 RMB'000
Secured borrowings	1,325,336	490,000
Unsecured and unguaranteed borrowings	1,499,500	1,500,000
Total	2,824,836	1,990,000
Analysed as:		
Current	1,111,667	490,500
Non-current	1,713,169	1,499,500
Total	2,824,836	1,990,000

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

	2020/12/31 RMB'000	2019/12/31 RMB'000
Carrying amount repayable:		
Within one year	1,111,667	490,500
More than one year but not exceeding two years	1,713,169	1,000
More than two years but not exceeding five years	—	1,498,500
Total	2,824,836	1,990,000

As at December 31, 2020 and 2019, the effective interest rate per annum of the borrowings from other financial institutions ranged from 4.10% to 5.45% and from 5.00% to 5.45%, respectively.

30. BORROWINGS (CONTINUED)

30d. Lease liabilities

	2020/12/31 RMB'000	2019/12/31 RMB'000
Carrying amount repayable:		
Within one year	61,450	50,170
More than one year but not exceeding two years	52,842	47,520
More than two years but not exceeding five years	57,494	91,350
Total	171,786	189,040
Amount due for settlement within 12 months shown under current liabilities	61,450	50,170
Amount due for settlement after 12 months shown under non-current liabilities	110,336	138,870

31. ACCRUED STAFF COSTS

	2020/12/31 RMB'000	2019/12/31 RMB'000
Salaries, bonus and allowances	217,571	175,986
Total	217,571	175,986

32. ACCOUNTS PAYABLE

	2020/12/31 RMB'000	2019/12/31 RMB'000
Payable for acquisition of leasing equipment and factoring	30,118	279,399
Analysed by aging as:		
Within 60 days	6,947	229,069
More than 91 days	23,171	50,330
Total	30,118	279,399

33. BONDS PAYABLE

	2020/12/31 RMB'000	2019/12/31 RMB'000
Analysed as:		
Current	18,408,850	20,114,151
Non-current	13,951,119	11,332,791
Total	32,359,969	31,446,942

33. BONDS PAYABLE (CONTINUED)

33a. Bonds payable analysed by nature

	2020/12/31 RMB'000	2019/12/31 RMB'000
Short-term commercial papers (note i)	499,168	998,802
Ultra-short-term commercial papers (note ii)	4,998,405	4,496,274
Asset-backed securities (note iii)	9,905,706	10,535,967
Fixed medium-term notes (note iv)	3,768,461	2,270,467
Corporate bonds (note v)	7,865,712	4,687,955
Private placement notes (note vi)	4,591,182	5,981,986
Asset-backed notes (note vii)	731,335	2,475,491
Total	32,359,969	31,446,942

notes:

(i): Short-term commercial papers

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

(ii): Ultra-short-term commercial papers

Issue Date	Outstanding principal amount RMB'million	Coupon rate	Term
July 14, 2020	1,000	1.73%	6 months
August 5, 2020	1,000	1.85%	6 months
August 26, 2020	500	1.85%	5 months
September 17, 2020	500	2.40%	9 months
October 28, 2020	1,000	1.95%	4 months
December 2, 2020	1,000	3.05%	5 months

33. BONDS PAYABLE (CONTINUED)

33a. Bonds payable analysed by nature (continued)

notes: (continued)

(iii): Asset-backed securities

Issue Date	Outstanding principal amount RMB'million	Coupon rate (note)	Term
February 27, 2019	Senior: 174 Junior: 80	Senior: 5.00%	Senior:34 months; Junior:37 months
April 16, 2019	Senior: 156 Junior: 80	Senior: 4.40%	Senior: 30 months; Junior: 36 months
May 31, 2019	Senior: 66 Junior: 50	Senior: 4.34%	Senior: 20 months; Junior: 36 months
June 14, 2019	Senior: 348 Junior: 80	Senior: 4.30% and 4.50%	Senior: 33 months; Junior: 36 months
August 8, 2019	Senior: 142 Junior: 50	Senior: 4.80%	Senior: 21 months; Junior: 36 months
August 27, 2019	Senior: 347 Junior: 74	Senior: 4.40% and 4.45%	Senior: 32 months; Junior: 35 months
October 31, 2019	Senior: 252 Junior: 50	Senior: 4.20% and 4.60%	Senior:32 months; Junior:35 months
December 24, 2019	Senior: 384 Junior: 50	Senior: 4.35% and 4.60%	Senior:33 months; Junior:36 months
December 26, 2019	Senior: 243 Junior: 50	Senior: 4.60%	Senior:20 months; Junior:56 months
March 24, 2020	Senior: 394 Junior: 50	Senior: 3.60% and 3.65%	Senior:20 months; Junior:44 months
April 7, 2020	Senior: 190 Junior: 10	Senior: 5.00%	Senior:3 years+3 years; Junior:3 years+3 years
April 15, 2020	Senior: 517 Junior: 50	Senior: 2.95% and 3.40%	Senior:34 months; Junior:34 months
May 28, 2020	Senior: 590 Junior: 46	Senior: 2.43%, 2.84% and 3.40%	Senior:26 months; Junior:26 months
June 17, 2020	Senior: 671 Junior: 50	Senior: 3.25%, 3.60% and 3.70%	Senior:33 months; Junior:36 months
June 19, 2020	Senior: 595 Junior: 50	Senior: 3.14%, 3.54% and 3.80%	Senior:20 months; Junior:41 months
July 28, 2020	Senior: 726 Junior: 50	Senior: 3.50%, 3.85% and 4.10%	Senior:35 months; Junior:35 months
August 11, 2020	Senior: 713 Junior: 50	Senior: 3.49%, 3.68% and 3.99%	Senior:21 months; Junior:49 months
September 9, 2020	Senior: 791 Junior: 50	Senior: 3.45%, 4.00% and 4.20%	Senior:32 months; Junior:35 months
October 22, 2020	Senior: 776 Junior: 50	Senior: 3.69%, 4.00% and 4.30%	Senior: 33 months; Junior: 33 months
November 24, 2020	Senior: 950 Junior: 50	Senior: 3.98%,4.15% and 4.30%	Senior: 21 months; Junior: 33 months
December 9, 2020	Senior: 950 Junior: 50	Senior: 4.17%, 4.24% and 4.30%	Senior: 32 months; Junior: 36 months

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

33. BONDS PAYABLE (CONTINUED)

33a. Bonds payable analysed by nature (continued)

notes: (continued)

(iv): Fixed medium-term notes

Issue Date	Outstanding principal amount RMB'million	Coupon rate	Term
June 3, 2016	185	4.07%	5 years (3+2)
July 13, 2016	290	4.10%	5 years (3+2)
March 20, 2018	1,000	5.77%	3 years
April 24, 2018	800	5.23%	3 years
August 27, 2020	500	4.20%	3 years
November 4, 2020	1,000	3.97%	2 years

(v): Corporate bonds

Issue Date	Outstanding principal amount RMB'million	Coupon rate	Term
September 20, 2018	800	5.05%	3 years
October 24, 2018	400	4.85%	3 years
February 26, 2019	500	5.20%	3 years
July 22, 2019	500	4.83%	3 years
May 7, 2020	1,000	3.50%	3 years
June 18, 2020	700	3.95%	2 years
July 24, 2020	1,200	4.00%	3 years
September 8, 2020	1,000	4.40%	2 years
September 15, 2020	1,000	4.20%	3 years
October 28, 2020	800	4.15%	3 years

(vi): Private placement notes

Issue Date	Outstanding principal amount RMB'million	Coupon rate	Term
February 7, 2018	600	6.35%	3 years
June 13, 2018	500	6.50%	3 years
November 27, 2018	800	5.20%	3 years
April 18, 2019	300	4.65%	3 years
May 29, 2019	1,000	4.70%	3 years
December 2, 2019	1,400	4.50%	3 years

(vii): Asset-backed notes

Issue Date	Outstanding principal amount RMB'million	Coupon rate (note)	Term
December 21, 2018	Senior: 82 Junior: 50	Senior: 5.90%	Senior: 33 months; Junior: 35 months
November 11, 2019	Senior: 175 Junior: 50	Senior: 4.10% and 4.57%	Senior: 29 months; Junior: 32 months
March 23, 2020	Senior: 479 Junior: 50	Senior: 3.10% and 4.10%	Senior: 32 months; Junior: 57 months

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

34. OTHER LIABILITIES

	2020/12/31 RMB'000	2019/12/31 RMB'000
Current		
Amounts due to related parties	33	804,283
Deposits from customers due within one year	3,596,917	2,566,718
Deferred revenue	81,061	63,998
Interest payable	663,750	572,315
Bank acceptance bill	1,192,280	727,867
Advance receipt	13,560	4,788
Other taxes payable	9,866	3,900
Accrued expenses	147,677	161,233
Government cooperation project payables (Note 24)	230,483	37,334
Government outsourcing project payables	52,712	187,220
Contract liabilities	204,020	120,000
Other payables	284,675	109,963
Total	6,477,034	5,359,619
Non-current		
Deposits from customers	6,912,746	7,116,287
Deferred revenue	592,924	666,492
Deposits from suppliers and agents	76,167	50,767
Aircraft maintenance funds	298,563	222,120
Liabilities with continuing involvement	60,338	—
Other payables	218,564	78,164
Total	8,159,302	8,133,830

35. SHARE CAPITAL

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

notes:

(i) On June 3, 2019, the Company was listed on the Main Board of Hong Kong Stock Exchange and issued 1,235,300,000 H shares with par value of RMB1. The gross proceeds amounted to HKD2,322,364 thousand. After deducting the issuance cost, RMB1,235,300 thousand and RMB728,501 thousand were credited to share capital and capital reserve respectively.

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

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

36. RESERVES

(1) Capital reserve

The movements of the capital reserve of the Group is as follows:

	Beginning of the year RMB'000	Addition RMB'000	End of the year RMB'000
2020			
Capital premium	2,457,876	–	2,457,876
Other capital reserve	39,589	–	39,589
Total	2,497,465	–	2,497,465
2019			
Capital premium	1,740,574	717,302	2,457,876
Other capital reserve	39,589	–	39,589
Total	1,780,163	717,302	2,497,465

(2) Surplus reserve

The surplus reserve is the statutory surplus reserve.

Pursuant to the Company Law of the PRC, 10% of the net profit of the Company, as determined under the relevant accounting rules in the PRC, is required to be transferred to the statutory surplus reserve until this reserve reaches 50% of the share capital of the Company. The reserve appropriated can be used for offsetting accumulated losses, expansion of business and capitalisation, in accordance with the Company's articles of association or as approved under proper authorisation.

	Beginning of the year RMB'000	Addition RMB'000	End of the year RMB'000
2020			
Statutory reserve	314,999	94,182	409,181
2019			
Statutory reserve	203,446	111,553	314,999

36. RESERVES (CONTINUED)

(3) Hedging reserve

The movements of the hedging reserve of the Group are as follows:

	Beginning of the year RMB'000	(Reduction)/ Addition RMB'000	End of the year RMB'000
2020			
Hedging reserve	2,502	(74,695)	(72,193)
2019			
Hedging reserve	–	2,502	2,502

The hedging reserve represents the cumulative effective portion of gains and losses arising on changes in fair value of hedging instruments entered into for cash flow hedges.

(4) Translation reserve

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group at the exchange rate prevailing at the end of each reporting period, and the income and expenses are translated at the average exchange rates for the period or exchange rates similar with the spot exchange rate on the date of the transaction. Exchanges differences arising, if any, are recognised in other comprehensive income and accumulated in the translation reserve.

37. OTHER EQUITY INSTRUMENTS

As at March 11, 2016, the Company issued a perpetual medium-term note with principal amount of RMB1,200,000 thousand and value date on March 14, 2016.

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

Unless the compulsory interest payment events mentioned below have occurred, the Company has the right to choose to defer interest payment at each interest payment date without limit on the number of time the interests are deferred which is not considered as a breach of the contract for the issuer.

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

- to declare and pay dividend to ordinary shareholders
- to decrease registered capital

As at December 14, 2020, the Company issued a renewable trust plan with principal amount of RMB286,500 thousand and value date on December 24, 2020.

The above financial instrument has no fixed maturity date and the Company may choose to defer the principal in accordance with the contractual terms or expire when the Company is redeemed in accordance with the contractual terms. The Company has the right to redeem at par value plus interest payable.

Unless the compulsory interest payment events mentioned below have occurred, the Company has the right to choose to defer interest payment at each interest payment date without limit on the number of time the interests are deferred which is not considered as a breach of the contract for the issuer.

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

- to declare and pay dividend to ordinary shareholders
- to decrease registered capital
- to redeem or pay interest to other equity instrument which is subordinate to the renewable trust plan.

37. OTHER EQUITY INSTRUMENTS (CONTINUED)

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

During the year ended December 31, 2020, profit attributable to the holders of other equity instruments of the Group amounting to RMB50,221 thousand (year ended December 31, 2019: RMB50,148 thousand), are determined with reference to the distribution rate specified in the terms and conditions.

38. INTERESTS IN STRUCTURED ENTITIES

(1) Interest in consolidated structured entities

The Group holds interests in some structured entities through investments in the securities or notes issued by these structured entities. The assets of these structured entities mainly include asset-backed securities and asset-backed notes. When assessing whether to consolidate structured entities, the Group reviews all facts and circumstances to determine whether the Group, as manager, is acting as an agent or a principal. These factors considered include the scope of the manager's decision-making authority, rights held by other parties, remuneration to which it is entitled and exposure to variability of returns. The Group has determined that all of these structured entities were controlled by the Group and therefore consolidated when preparing the consolidated financial statements. Refer to Note 39 for details.

(2) Interest in unconsolidated structured entities

The Group has been involved in other structured entities through investments in structured entities that provide specialised investment opportunities to investors. These structured entities generally finance the purchase of assets by issuing units of products. The Group did not control these structured entities and therefore, these structured entities were not consolidated.

The Group has interests in structured entities managed by third parties through investing in funds, wealth management products, asset management schemes and trust plans.

The carrying amount and maximum risk exposure of the unconsolidated structured entities amounted to RMB451 million and RMB912 million as of December 31, 2020 and 2019, respectively. As at December 31, 2020 and 2019, total fair value gains from these structured entities amounted to RMB9,633 thousand and RMB938 thousand respectively. These amounts are included in the items presented in Note 27.

39. TRANSFER OF FINANCIAL ASSETS

Asset-backed securities

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

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

As at December 31, 2020, the carrying amount of finance lease receivables and receivables arising from sale and leaseback arrangements that have been transferred but not derecognised was RMB10,467 million (December 31, 2019: RMB11,037 million).

As at December 31, 2020, the related carrying amount of financial liabilities was RMB9,906 million (December 31, 2019: RMB10,536 million).

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

As at December 31, 2020, the carrying amount of finance lease receivables and receivables arising from sale and leaseback arrangements that have been securitised by the Group under arrangements in which the Group retained a continuing involvement in such assets was RMB451 million (December 31, 2019: nil).

As at December 31, 2020, the carrying amount of assets that the Group continued to recognise was RMB60 million (December 31, 2019: nil). The Group recognised the same amount arising from such continuing involvement in other assets and other liabilities.

Asset-backed notes

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

As at December 31, 2020, the carrying amount of finance lease receivables and receivables arising from sale and leaseback arrangements that have been transferred but not derecognised was RMB1,077 million (December 31, 2019: RMB2,673 million).

As at December 31, 2020, the related carrying amount of financial liabilities was RMB731 million (December 31, 2019: RMB2,475 million).

40. CASH AND CASH EQUIVALENTS

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

	2020/12/31 RMB'000	2019/12/31 RMB'000
Deposit in banks	4,570,959	5,053,127
Total	4,570,959	5,053,127

41. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities. Interest payments in relation to below liabilities are included in other liabilities and presented in operating cash flow.

	As at January 1, 2020 RMB'000	Financing cash flows RMB'000	Dividends distributed RMB'000	Foreign exchange losses RMB'000	Acquisition of a subsidiary RMB'000	Other changes RMB'000	As at December 31, 2020 RMB'000
Bank borrowings	34,416,672	5,306,119	–	(676,578)	29,912	88,583	39,164,708
Borrowings from related parties	1,161,537	–	–	(125,572)	–	804,279	1,840,244
Borrowings from other financial institutions	1,990,000	334,836	–	–	500,000	–	2,824,836
Bonds payable	31,446,942	757,904	–	–	–	155,123	32,359,969
Dividends payable	–	(675,295)	675,295	–	–	–	–
Distribution of perpetual note	–	(50,211)	50,211	–	–	–	–
Amounts due to related parties	804,283	–	–	29	–	(804,279)	33
Lease liabilities	189,040	(63,994)	–	–	7,396	39,344	171,786
Total	70,008,474	5,609,359	725,506	(802,121)	537,308	283,050	76,361,576

41. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES (CONTINUED)

	As at January 1, 2019 RMB'000	Financing cash flows RMB'000	Dividends distributed RMB'000	Foreign exchange losses RMB'000	Other changes RMB'000	As at December 31, 2019 RMB'000
Bank borrowings	29,924,523	4,300,986	–	118,530	72,633	34,416,672
Borrowings from related parties	1,074,090	45,214	–	42,233	–	1,161,537
Borrowings from other financial institutions	–	1,990,000	–	–	–	1,990,000
Bonds payable	27,451,651	3,942,498	–	–	52,793	31,446,942
Dividends payable	–	(411,765)	411,765	–	–	–
Distribution of perpetual note	–	(50,062)	50,062	–	–	–
Amounts due to related parties	3,994	(3,994)	–	(361)	804,644	804,283
Lease liabilities	33,553	(41,184)	–	–	196,671	189,040
Total	58,487,811	9,771,693	461,827	160,402	1,126,741	70,008,474

42. OPERATING LEASES

The Group as lessor

Operating leases relate to the aircraft owned by the Group with lease terms of around 6 to 13 years. The lessees do not have an option to purchase the leased asset before the expiry of the lease period.

Minimum lease payments receivable on leases are as follows:

	2020/12/31 RMB'000	2019/12/31 RMB'000
Within one year	**674,405**	452,911
In the second year	**598,230**	485,877
In the third year	**581,047**	468,129
In the fourth year	**517,691**	458,527
In the fifth year	**475,797**	390,788
After five years	**981,461**	792,310
Total	**3,828,631**	3,048,542

43. COMMITMENTS

Capital commitments

In addition to the operating lease commitments detailed in Note 42 above, the Group had the following capital commitments at the end of the reporting period.

	2020/12/31 RMB'000	2019/12/31 RMB'000
Contracted, but not provided for:		
Construction agreements under PPP and government outsourcing projects	2,633,605	2,590,831
Property and equipment	590,503	2,912,601
Total	3,224,108	5,503,432

44. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

The emoluments of the Directors and Supervisors of the Company paid or payable by the Group for the year ended December 31, 2020 and 2019 are set out below:

For the year ended December 31, 2020

Name	Director fee RMB'000	Salary and allowances RMB'000	Employer's contribution to pension schemes RMB'000	Discretionary bonuses RMB'000	Total RMB'000
Executive Directors:					
Ding Xueqing	–	1,551	670	4,565	6,786
Zhou Jianli	–	1,373	500	3,181	5,054
Non-executive Directors:					
Zhang Shaohua	–	–	–	–	–
Ren Peng	–	–	–	–	–
Wu Shukun	–	–	–	–	–
Ha Erman	–	–	–	–	–
Li Chuan	–	–	–	–	–
Independent Non-executive Directors:					
Jiang Yulin	210	–	–	–	210
Yo Shin(iii)	198	–	–	–	198
Zeng Qingsheng	210	–	–	–	210
Wu Yat Wai	210	–	–	–	210
Yao Feng(iv)	132	–	–	–	132
Yan Lixin(v)	132	–	–	–	132
Supervisors:					
Wang Meijuan(vi)	–	–	–	–	–
Zhou Tao(vii)	–	–	–	–	–
Zhao Yue	–	473	43	206	722
Chen Xinji	–	675	130	455	1,260
	1,092	4,072	1,343	8,407	14,914

44. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

For the year ended December 31, 2019

Name	Director fee RMB'000	Salary and allowances RMB'000	Employer's contribution to pension schemes RMB'000	Discretionary Bonuses RMB'000	Total RMB'000
Executive Directors:					
Ding Xueqing	—	1,546	665	4,324	6,535
Zhou Jianli	—	1,242	529	3,138	4,909
Non-executive Directors:					
Zhang Shaohua	—	—	—	—	—
Ren Peng					
Wu Shukun					
Ha Erman(i)	—	—	—	—	—
Li Chuan(ii)	—	—	—	—	—
Independent Non-executive Directors:					
Jiang Yulin	210	—	—	—	210
Yo Shin	210	—	—	—	210
Zeng Qingsheng	210	—	—	—	210
Wu Yat Wai	210	—	—	—	210
Supervisors:					
Wang Meijuan	—	—	—	—	—
Zhao Yue	—	471	85	207	763
Chen Xinji	—	643	172	442	1,257
	840	3,902	1,451	8,111	14,304

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Group, and the non-executive directors' and the independent non-executive directors' emoluments shown above were for their services as directors of the Company.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year and no emoluments were paid by the Group to any of the directors, supervisors or senior management as an inducement to join or upon joining the Group or as compensation for redundancy.

44. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

notes:

(i) Ha Erman was appointed as non-executive director in November 2019.

(ii) Li Chuan was appointed as non-executive director in November 2019.

(iii) Yo Shin resigned from the position of independent non-executive director in December 2020.

(iv) Yao Feng was appointed as independent non-executive director in May 2020.

(v) Yan Lixin was appointed as independent non-executive director in May 2020.

(vi) Wang Meijuan resigned from the position of supervisor in May 2020.

(vii) Zhou Tao was appointed as supervisor in May 2020.

45. HIGHEST PAID INDIVIDUALS

The five highest paid employees of the Group during the year included two directors (2019: two directors), details of whose remuneration are set out in Note 44 above. Details of the remuneration for the year of the remaining three (2019: three) highest paid employees who are not directors of the Company are as follows:

	2020 RMB'000	2019 RMB'000
Basic salaries and allowances	3,249	3,231
Bonuses	7,928	7,981
Employer's contribution to pension schemes	1,281	1,373
Total	12,458	12,585

Bonuses are discretionary with reference to the Group's and the individuals' performance. No emoluments have been paid to or receivable by these individuals as an inducement to join or upon joining the Group or as compensation for loss of office for the year ended December 31, 2020 and 2019.

The number of the highest paid employees who are not directors of the Company whose remuneration fell within the following bands is as follows:

	2020 No. of employees	2019 No. of employees
— HKD4,000,001–HKD4,500,000	1	1
— HKD4,500,001–HKD5,000,000	—	2
— HKD5,000,001–HKD5,500,000	2	—
Total	3	3

46. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

In addition to the subsidiaries of the Group set out in Note 51, the name and the relationship of the other related parties are set out below:

Name of the related party	Relationship of the related party
Haitong UT Capital Group Co., Limited	Parent Company
Haitong Securities Co., Ltd.	Ultimate Holding Company
Haitong Capital Investment Co., Ltd.	Shareholder
HFT Investment Management Co., Ltd.	Fellow Subsidiary
Shanghai Haitong Securities Asset Management Co., Ltd.	Fellow Subsidiary
Shanghai HFT Fortune Asset Management Co., Ltd.	Fellow Subsidiary
Unican Limited	Fellow Subsidiary
Haitong International Securities Co., Ltd.	Fellow Subsidiary
Haitong Futures Co., Ltd.	Fellow Subsidiary
Shanghai Weitai Properties Management Co., Ltd.	Fellow Subsidiary
Gui'an UT Financial Leasing (Shanghai) Co., Ltd.	Joint Venture Company (Note 52)

Other than as disclosed elsewhere in these consolidated financial statements, the Group has the following material transactions with the related parties for the years ended December 31, 2020 and 2019:

(1) Interest expenses

	2020 RMB'000	2019 RMB'000
Haitong UT Capital Group Co., Limited	36,436	—
Unican Limited	42,111	37,805

(2) Other income, gains or losses

	2020 RMB'000	2019 RMB'000
Gui'an UT Financial Leasing (Shanghai) Co., Ltd. (note)	42,146	74,451

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

46. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(3) Service income

	2020 RMB'000	2019 RMB'000
Haitong Capital Investment Co., Ltd.	–	472

(4) Other operating expenses

	2020 RMB'000	2019 RMB'000
Shanghai Weitai Properties Management Co., Ltd.	13,801	–

As at December 31, 2020 and 2019, the Group had the following material balances with the related parties:

(5) Financial assets held under resale agreements

	2020/12/31 RMB'000	2019/12/31 RMB'000
Gui'an UT Financial Leasing (Shanghai) Co., Ltd.	–	828,000

(6) Other assets

	2020/12/31 RMB'000	2019/12/31 RMB'000
Gui'an UT Financial Leasing (Shanghai) Co., Ltd.	–	4,284

(7) Borrowings

	2020/12/31 RMB'000	2019/12/31 RMB'000
Unican Limited	1,086,395	1,161,537
Haitong UT Capital Group Co., Limited	753,849	–

46. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(8) Bonds payable

	2020/12/31 RMB'000	2019/12/31 RMB'000
Haitong Securities Co., Ltd. (note)	24,088	70,231

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

(9) Other liabilities

	2020/12/31 RMB'000	2019/12/31 RMB'000
Haitong Securities Co., Ltd.	—	923
Haitong UT Capital Group Co., Limited	34,427	804,283
Unican Limited	94,978	80,557
Shanghai Haitong Securities Asset Management Co., Ltd.	—	192

(10) Others

*(a) **Key management personnel***

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

	2020 RMB'000	2019 RMB'000
Basic salaries and allowances	6,173	6,019
Bonuses	15,674	15,443
Employer's contribution to pension schemes	2,451	2,567
Total	24,298	24,029

*(b) **Payment of referral service fees to related party***

	2020 RMB'000	2019 RMB'000
Haitong Securities Co., Ltd.	4,211	4,323
Haitong Futures Co., Ltd.	11	170

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

46. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(10) Others (continued)

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

	2020 RMB'000	2019 RMB'000
Haitong Securities Co., Ltd.	76,187	71,867
Shanghai HFT Fortune Asset Management Co., Ltd.	—	6,652
Shanghai Haitong Securities Asset Management Co., Ltd.	7,199	40,354

note: These issuance costs relating to debt liabilities issued were recognised as a deduction from the proceeds received from the debt liabilities issued and amortised over the term of the debts as part of the effective interest expenses.

(d) Payment of issuance costs of shares to related party

	2020 RMB'000	2019 RMB'000
Haitong International Securities Co., Ltd.	—	9,974

(e) Payment of acquisition of a subsidiary

	2020 RMB'000	2019 RMB'000
Haitong UT Capital Group Co., Limited	—	173,691

47. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY

	2020/12/31 RMB'000	2019/12/31 RMB'000
Non-current assets		
Property and equipment	1,467,874	181,588
Right-of-use assets	141,884	173,330
Intangible assets	14,221	14,953
Finance lease receivables	17,958,991	23,423,968
Receivables arising from sale and leaseback arrangements	19,510,714	12,558,754
Interest in a joint venture	—	252,530
Financial assets at fair value through profit or loss	260,364	—
Loans and receivables	1,166,088	2,594,014
Investments in subsidiaries	4,227,813	2,314,427
Deferred tax assets	1,426,858	982,885
Other assets	469,445	446,628
Total non-current assets	46,644,252	42,943,077

47. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY (CONTINUED)

	2020/12/31 RMB'000	2019/12/31 RMB'000
Current assets		
Finance lease receivables	26,315,277	27,568,783
Receivables arising from sale and leaseback arrangements	14,521,906	8,410,947
Loans and receivables	6,436,293	5,304,995
Other assets	760,432	488,954
Accounts receivable	9,292	16,682
Financial assets held under resale agreements	456,808	1,154,514
Financial assets at fair value through profit or loss	572,915	884,108
Derivative financial assets	–	49,619
Cash and bank balances	3,943,852	5,021,473
Total current assets	53,016,775	48,900,075
Total assets	99,661,027	91,843,152
Current liabilities		
Borrowings	20,324,046	18,065,719
Derivative financial liabilities	206,325	13,635
Accrued staff costs	147,886	147,482
Accounts payable	30,118	210,013
Bonds payable	18,408,850	20,114,151
Income tax payable	628,994	451,210
Other liabilities	5,700,622	4,020,723
Total current liabilities	45,446,841	43,022,933
Net current assets	7,569,934	5,877,142
Total assets less current liabilities	54,214,186	48,820,219

47. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY (CONTINUED)

	2020/12/31 RMB'000	2019/12/31 RMB'000
Equity		
Share capital	8,235,300	8,235,300
Reserves		
— Capital reserve	2,495,716	2,495,716
— Surplus reserve	409,181	314,999
— Hedging reserve	1,788	(1,190)
Retained profits	2,595,575	2,423,231
Other equity instruments	1,523,756	1,237,212
Total equity	15,261,316	14,705,268
Non-current liabilities		
Borrowings	17,410,549	15,031,818
Bonds payable	13,951,119	11,332,791
Other liabilities	7,591,202	7,750,342
Total non-current liabilities	38,952,870	34,114,951
Total equity and non-current liabilities	54,214,186	48,820,219

47. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY (CONTINUED)

	Share capital RMB'000	Capital reserve RMB'000	Surplus reserve RMB'000	Hedging reserve RMB'000	Retained profits RMB'000	Other equity instruments RMB'000	Total equity RMB'000
At December 31, 2019	8,235,300	2,495,716	314,999	(1,190)	2,423,231	1,237,212	14,705,268
Profit for the year	–	–	–	–	941,855	50,221	992,076
Other comprehensive income for the year	–	–	–	2,978	–	–	2,978
Total comprehensive income for the year	–	–	–	2,978	941,855	50,221	995,054
Issuance of other equity instruments	–	–	–	–	–	286,500	286,500
Appropriation to surplus reserve	–	–	94,182	–	(94,182)	–	–
Distribution of other equity instruments	–	–	–	–	–	(50,211)	(50,211)
Dividends recognised as distribution	–	–	–	–	(675,295)	–	(675,295)
Others	–	–	–	–	(34)	34	–
At December 31, 2020	8,235,300	2,495,716	409,181	1,788	2,595,575	1,523,756	15,261,316
At January 1, 2019	7,000,000	1,767,215	203,446	–	1,829,085	1,237,008	12,036,754
Profit for the year	–	–	–	–	1,105,066	50,148	1,155,214
Other comprehensive expenses for the year	–	–	–	(1,190)	–	–	(1,190)
Total comprehensive (expense)/ income for the year	–	–	–	(1,190)	1,105,066	50,148	1,154,024
Issuance of shares, net	1,235,300	728,501	–	–	–	–	1,963,801
Appropriation to surplus reserve	–	–	111,553	–	(111,553)	–	–
Distribution of other equity instruments	–	–	–	–	12,516	(50,062)	(37,546)
Dividends recognised as distribution	–	–	–	–	(411,765)	–	(411,765)
Others	–	–	–	–	(118)	118	–
At December 31, 2019	8,235,300	2,495,716	314,999	(1,190)	2,423,231	1,237,212	14,705,268

48. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2020/12/31 RMB'000	2019/12/31 RMB'000
Financial assets		
Financial assets measured at amortised cost:		
Cash and bank balances	5,176,968	5,458,838
Loans and receivables	7,630,090	8,084,652
Receivables arising from sale and leaseback arrangements	35,214,476	21,943,692
Financial assets held under resale agreements	—	1,154,514
Accounts receivable	36,913	16,682
Other financial assets	683,483	286,785
Financial assets at fair value through profit or loss:		
Financial assets at fair value through profit or loss	899,200	1,287,984
Derivative financial assets	—	49,619
Total	49,641,130	38,282,766

	2020/12/31 RMB'000	2019/12/31 RMB'000
Financial liabilities		
Financial liabilities measured at amortised cost:		
Borrowings	44,001,574	37,757,249
Accounts payable	30,118	279,399
Bonds payable	32,359,969	31,446,942
Other financial liabilities	14,168,171	13,179,033
Financial liabilities at fair value through profit or loss:		
Derivative financial liabilities	359,910	98,805
Total	90,919,742	82,761,428

49. FINANCIAL RISK MANAGEMENT

Overview of financial risk management

The Group's activities expose it to a variety of financial risks. The Group identifies, evaluates and manages risks. The Group's risk management objective is to achieve an appropriate balance between risk and return, and minimise potential adverse effects on the Group's financial performance.

The Group's risk management policies are designed to identify and analyse risks to set appropriate risk limits and control procedures, and to monitor the risks through appropriate control processes.

The board of directors of the Company establishes overall risk management strategy. The management establishes related risk management policies and procedures, including credit risk, market risk, liquidity risk and so on. Such risk policies and procedures are carried out by Risk Management Department, Credit Review & Approval Department, Commerce Department, Asset Management Department, Business Department, Compliance Department, Treasury Management Department, Finance Department and other relevant committees after the approval of the board of directors.

The major financial risks of the Group are credit risk, market risk and liquidity risk. Market risk includes foreign currency risk, interest rate risk and price risk.

Credit risk

The Group is exposed to credit risk in relation to its cash and bank balances, finance lease receivables, receivables arising from sale and leaseback arrangements, factoring receivables, entrusted loans and other loans, financial assets held under resale agreements, accounts receivable and other financial assets. The Group's credit risk is primarily attributable to its finance lease receivables and receivables arising from sale and leaseback arrangements which is the risk of the lessees being unable to meet its contractual obligations.

The Group implemented standardised management procedures over the processes of target customers selection, the due diligence and application, credit review and approval, finance lease disbursement, post-lending monitoring, management of non-performing finance lease receivables and other aspects. Through implementation of relevant credit risk management policies and procedures, the effective use of finance lease information system and optimisation of the portfolio of finance leases, the Group is able to timely and effectively identify, monitor and manage its potential credit risks.

Changes in the economic environment will have an impact on the Group's finance lease, and the adverse effects will increase the possibility of losses incurred by the Group. The Group's current major business operations are in mainland China, but the differences of economic development in different regions require the Group to closely manage the relevant credit risks. The Business Department, Credit Review & Approval Department, Asset Management Department and Risk Management Department in charge of different industries and regions are responsible for the whole chain management of the credit risks in this order, and periodically reporting on the quality of assets to the board of directors of the Company. The Group has established mechanisms to set credit risk limits for individual lessees and periodically monitors the above credit risk limits.

49. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

Risk limit management and mitigation measures

The Group manages, limits, and controls the concentration of credit risks and, as far as possible, avoids risks concentration on single lessee, industry or region.

The Group manages customer limits to optimise the credit risk structure. The Group performs pre-project analysis of the lessee's ability to repay principal and interest, real-time supervision of the lessee's actual repayment status during the project to manage credit risks.

Other specific management and mitigation measures include:

(a) ***Guarantee***

The Group has developed a series of policies to mitigate credit risk, including obtaining collateral/pledge, security deposit and guarantee from an enterprise or individual.

According to the characteristics of the finance lease and sale and leaseback transactions, the Group has the ownership of the asset under the lease during the lease term. According to the Civil Code of PRC, in the event of default, the Group is entitled to terminate the contract and repossess the leased asset if the lessee fails to pay the rentals within a reasonable period after being notified.

In addition, the Group requests a third party guarantee or collateral from certain lessees, depending on the lessee's credit status and credit risk degree of the finance lease. The management evaluate the capability of the guarantor, the ownership and value of the mortgage and pledge and the feasibility of realising the mortgage and pledge.

(b) ***Insurance on the asset of the finance lease and sale and leaseback transactions***

For finance lease and sale and leaseback transactions, the ownership of the lease asset belongs to the Group before the expiry of the lease, but the risks and rewards in operational use and maintenance have been transferred to the lessee. Therefore, if any accidents occur to the asset, the lessee should immediately report the case to the insurance company and notify the Group, provide accident report with relevant documents and settle claims with the insurance company.

Group's exposure to credit risk

Credit risk refers to the risk that a customer or counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group considers all elements of credit risk exposure such as counterparty default risk and sector risk for risk management purposes.

49. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

Group's exposure to credit risk (continued)

In addition to the credit risk limit management and other mitigation measures as described above, the Group monitors all financial assets that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime ECL rather than 12-month ECL.

In order to minimise credit risk, the Group has tasked to develop and maintain the Group's credit risk grading to categorise exposures according to their degree of risk of default. The credit grading information is based on a range of data that is determined to be predictive of the risk of default and applying experienced credit judgment. The nature of the exposure and the type of counterparty are taken into account in the analysis. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default.

The internal credit risk grades are designed and calibrated to reflect the risk of default as credit risk deteriorates. As the credit risk increases, the difference in risk of default between grades changes. Each exposure is allocated to a credit's risk grade at initial recognition, based on the available information about the counterparty. All exposures are monitored and the credit risk grade is updated to reflect current information. The Group uses credit risk grades as a primary input into the determination of the term structure of the probability of default ("PD") for exposures. The Group uses both quantitative and qualitative criteria to determine whether credit risk has increased significantly.

The Groups uses forward-looking macro-economic data such as year on year percentage change of PPI, CPI, GDP and M2 in its assessment of significant increase in credit risk as well as in its measurement of ECL. The Group develops the forward-looking adjustment on ECL by building the relationship between these forward-looking macro-economic data and the business risk characteristics, In addition to the neutral scenario, the Group also develops other possible scenarios and corresponding weights in combination with market expectations. The Group measures PD as a weighted average of PD under extremely optimistic, optimistic, neutral, pessimistic and extremely pessimistic scenarios, with the combination of the LGD of different business, the Group calculates the forward-looking adjusted ECL.

As at end of 2020, the Group conducted stress testing on the macro-economic data used in forward-looking measurement. When the weights of optimistic/extremely optimistic scenarios each increase by 5% and neutral scenario decrease by 10% or pessimistic/extremely pessimistic scenarios each increase by 5% and neutral scenario decrease by 10%, the impact on the Group's ECL allowances is insignificant.

49. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

Group's exposure to credit risk (continued)

The following table shows the Group's credit risk grading framework:

Category	Description	Basis for recognising ECL
Stage 1	For financial assets where there has low risk of default or has not been a significant increase in credit risk since initial recognition and that are not credit impaired.	12m ECL
Stage 2	For financial assets where there has been a significant increase in credit risk since initial recognition but that are not credit impaired.	Lifetime ECL — not credit impaired
Stage 3	Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred.	Lifetime ECL — credit impaired

The table below shows the maximum credit risk exposure of the Group without consideration of the collateral and pledges:

	2020/12/31 RMB'000	2019/12/31 RMB'000
Financial assets at amortised cost:		
Cash and bank balances	5,176,968	5,458,838
Receivables arising from sale and leaseback arrangements	35,214,476	21,943,692
Loans and receivables	7,630,090	8,084,652
Financial assets held under resale agreements	—	1,154,514
Accounts receivable	36,913	16,682
Other financial assets	683,483	286,785
Financial assets at fair value through profit or loss:		
Financial assets at fair value through profit or loss	—	340,125
Derivative financial assets	—	49,619
Finance lease receivables	48,411,403	52,941,643
Total	97,153,333	90,276,550

49. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

Group's exposure to credit risk (continued)

The amounts of the credit risk exposures set out above are the carrying amounts as at December 31, 2020 and 2019. For financial instruments measured at fair value, the risk exposure considered as its carrying value changes in accordance with future fair value.

Finance lease receivables

For finance lease receivables, the Group has applied the three-stage impairment approach in IFRS 9 to measure ECL. Refer to Note 20 for the stage details.

Receivables arising from sale and leaseback arrangements

For receivables arising from sale and leaseback arrangements, the Group has applied the three-stage impairment approach in IFRS 9 to measure ECL. Refer to Note 21 for the stage details.

Loans and receivables

For loans and receivables, the Group has applied the three-stage impairment approach in IFRS 9 to measure ECL. Refer to Note 22 for the stage details.

Accounts receivable and other financial assets

For accounts receivable, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. For other financial assets, the Group has applied the general approach in IFRS 9 to measure the loss allowance for ECL.

Bank balances

The bank balances is determined to have low credit risk at the reporting date. The credit risk on bank balances is limited because the counterparties are reputable banks, and the risk of inability to pay or redeem at the due date is low.

Market risk

The Group is exposed to market risks that may cause losses to the Group as a result of adverse market changes in market prices.

Market risks measurement techniques

The Group currently establishes position limits and uses sensitivity analysis to measure and control market risks. The Group regularly calculates and monitors the foreign exchange risk exposure, as well as the difference (exposure) between interest-bearing assets and liabilities which would need to be repriced or mature in a certain period, and then uses the exposure information to perform sensitivity analysis under changing exchange rate and market interest rate.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates.

49. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk (continued)

Foreign currency risk (continued)

Foreign currency risk of the Group is mainly attributable to the mismatch of the currencies of assets and liabilities and is mainly affected by changes in the exchange rates of RMB and US dollar. The Group manages its foreign exchange rates under the principle of risk neutralisation by matching the allocation of assets and liabilities of different currencies according to sensitivity analysis of the impact on operation resulting from changes in exchange rate. If necessary, the Group will hedge the exposure of foreign currency risk by using foreign exchange derivatives when chances arise. The operating lease (aircraft leasing) business of the Group is funded by loans denominated in US dollar which can offset part of the foreign currency risk exposure. The Group hedges the foreign currency risk arising from funding by currency forwards and other instruments. Such arrangement effectively minimises the foreign currency risk exposure. The foreign currency risk of the Group as a whole is relatively small and has no significant effect on the profits of the Group for the year.

The carrying amounts of the Group's foreign currency denominated assets and liabilities at the end of each reporting period were as follows:

	Assets		Liabilities	
	2020/12/31	2019/12/31	**2020/12/31**	2019/12/31
	RMB'000	RMB'000	**RMB'000**	RMB'000
United States dollar	**1,031,857**	1,431,589	**8,997,577**	4,572,464

Sensitivity analysis

The Group is mainly exposed to the effects of fluctuation in USD against RMB.

The following table details the Group's sensitivity to a 5% increase and decrease in RMB, the functional currency of respective group entities, against USD. 5% in the sensitivity rate represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation as at year end date for a 5% change in foreign currency rate. The analysis illustrates the impact for a 5% weakening of USD against RMB and a positive number below indicates an increase in profit for the year. For a 5% strengthening of USD against RMB, there would be an equal and opposite impact on the profit for the year.

	2020/12/31	2019/12/31
	RMB'000	RMB'000
Increase in net profit	**198,756**	117,783

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

49. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk (continued)

Interest rate risk (continued)

The Group's exposure to interest rate risk relates primarily to the Group's bank balances, finance lease receivables, receivables arising from sale and leaseback arrangements, loans and other receivables, financial assets held under resale agreements, accounts receivable, other financial assets, structured deposits in financial assets at fair value through profit or loss, borrowings, accounts payable, bonds payable, and other financial liabilities.

Management closely monitors the market, and controls interest rate sensitivity gap by adjusting asset and liability structure, so as to achieve effective management of interest rate risk.

Fluctuations of prevailing rate quoted by the PBOC, LPR and LIBOR are the major sources of the Group's cash flow interest rate risk.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for interest bearing financial assets and liabilities. The analysis is prepared assuming the interest bearing financial assets and liabilities outstanding at the end of each reporting period were outstanding for the whole year. When reporting to the management on the interest rate risk, the Group will adopt a 100 basis points increase or decrease for sensitivity analysis, when considering the reasonably possible change in interest rates.

	2020/12/31 RMB'000	2019/12/31 RMB'000
Increase (decrease) in net profit		
100 basis points increase	224,191	253,840
100 basis points decrease	(224,191)	(253,840)

Price risk

The Group's exposure to price risk relates primarily to its investments in funds, wealth management products, equity instruments, asset management schemes and trust plans in financial assets at fair value through profit or loss.

The management considers the exposure of the Group to the price risk is insignificant as the Group's investments are not material.

Liquidity risk

Liquidity risk refers to the risk that the Group is unable to obtain fund at a reasonable cost to repay the liabilities or seize other investment opportunities. The objective of the Group's liquidity risk management is to ensure sufficient capital resource at any time to meet the repayment needs of matured liabilities, as well as the lessee's financing demand and seize new investment opportunities.

49. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk (continued)

The major payment demand of the Group is the repayments of matured debt.

Liquidity risk management policy

Each year, the Group formulates annual liquidity risk tolerance level based on comprehensive assessment of future development, operational strategies and market conditions and implements administrative measures accordingly under proper authorisation and approval procedures. In order to effectively monitor and manage liquidity risk, the Group formulates and promulgates policies such as Measures for the Management of Liquidity Risk, and carried out regular liquidity risk management through monthly tracking of the information system and assessment of conditions and indicators of liquidity risk. The details are as follows:

Regarding the intraday liquidity risk management:

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

Regarding the medium and long-term liquidity risk management:

- Implement the asset-liability structure management by determining a reasonable asset-liability ratio, monitoring and forecasting the ratio and complying with a predetermined upper limit of the aforementioned ratio;
- Implement the debt maturity structure management by tracking and forecasting the debt maturity structure, analysing the matching situation between assets and liabilities to ensure that mismatches are always within a reasonable range;
- Implement the management of credit line by continuously tracking various information of the existing credit line, such as the amount, type, duration, currency, etc., to meet a sufficient credit reserves position;
- Evaluate cooperation with every single major commercial bank, maintains financing reserve from multiple markets and channels, focuses on financing management at the group level and keeps financing channels unblocked.

49. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk (continued)

Cash flow for non-derivative financial instruments

The table below presents the cash flows receivable and payable by the Group under non-derivative financial assets and liabilities and finance lease receivables by remaining contractual maturities at the end of each reporting period. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Group manages the inherent liquidity risk based on expected undiscounted cash inflows:

As at December 31, 2020

	Overdue RMB'000	On demand RMB'000	Within 3 months RMB'000	3 months to 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Financial assets and finance lease receivables							
Cash and bank balances	–	4,630,725	492,006	54,426	–	–	5,177,157
Financial assets at fair value through profit or loss	–	402,418	160,543	9,954	260,364	65,921	899,200
Finance lease receivables	841,948	–	7,626,063	22,713,145	23,226,940	501,855	54,909,951
Receivables arising from sale and leaseback arrangements	58,423	–	3,958,762	12,816,861	22,431,809	43,031	39,308,886
Loans and receivables	886,835	–	673,020	6,065,860	1,385,650	75,052	9,086,417
Accounts receivable	31,819	–	–	39,424	–	–	71,243
Other financial assets	–	43,524	205	5,938	416,846	408,049	874,562
Non-derivative financial assets total	1,819,025	5,076,667	12,910,599	41,705,608	47,721,609	1,093,908	110,327,416
Financial liabilities							
Borrowings	–	–	5,847,718	17,722,894	22,299,700	601,913	46,472,225
Accounts payable	–	30,118	–	–	–	–	30,118
Bonds payable	–	–	7,850,761	11,730,870	14,733,120	–	34,314,751
Other financial liabilities	–	567,903	900,433	3,969,825	7,727,244	339,014	13,504,419
Non-derivative financial liabilities total	–	598,021	14,598,912	33,423,589	44,760,064	940,927	94,321,513
Net position	1,819,025	4,478,646	(1,688,313)	8,282,019	2,961,545	152,981	16,005,903

49. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk (continued)

Cash flow for non-derivative financial instruments (continued)

As at December 31, 2019

	Overdue RMB'000	On demand RMB'000	Within 3 months RMB'000	3 months to 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Financial assets and finance lease receivables							
Cash and bank balances	–	5,443,046	15,797	–	–	–	5,458,843
Financial assets at fair value through profit or loss	–	835,989	416,112	–	–	35,921	1,288,022
Financial assets held under resale agreements	–	–	331,941	839,315	–	–	1,171,256
Finance lease receivables	499,151	–	8,546,271	22,569,568	27,332,633	401,150	59,348,773
Receivables arising from sale and leaseback arrangements	12,281	–	2,522,891	7,387,649	14,834,717	–	24,757,538
Loans and receivables	719,849	–	328,557	5,414,966	3,149,912	170,498	9,783,782
Accounts receivable	31,819	–	–	–	–	–	31,819
Other financial assets	–	174,639	–	–	30,683	71,594	276,916
Non-derivative financial assets total	1,263,100	6,453,674	12,161,569	36,211,498	45,347,945	679,163	102,116,949
Financial liabilities							
Borrowings	–	–	5,749,327	15,245,438	17,799,930	1,188,103	39,982,798
Accounts payable	–	279,399	–	–	–	–	279,399
Bonds payable	–	–	4,027,143	17,268,531	11,998,189	–	33,293,863
Other financial liabilities	–	1,138,799	676,811	2,681,773	8,085,115	257,923	12,840,421
Non-derivative financial liabilities total	–	1,418,198	10,453,281	35,195,742	37,883,234	1,446,026	86,396,481
Net position	1,263,100	5,035,476	1,708,288	1,015,756	7,464,711	(766,863)	15,720,468

49. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk (continued)

Cash flow for derivative financial instruments

The following tables detail the Group's liquidity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted gross inflows and outflows on those derivatives that require gross settlement.

Derivative settled on a gross basis

	Less than 3 months RMB'000	3 months to 1 year RMB'000	1 year to 5 years RMB'000	Total RMB'000
December 31, 2020				
Total inflows	167,685	1,400,428	1,171,482	2,739,595
Total outflows	(175,559)	(1,497,365)	(1,231,302)	(2,904,226)
	(7,874)	(96,937)	(59,820)	(164,631)

	Less than 3 months RMB'000	3 months to 1 year RMB'000	1 year to 5 years RMB'000	Total RMB'000
December 31, 2019				
Total inflows	14,156	1,427,694	859,479	2,301,329
Total outflows	(13,936)	(1,392,791)	(835,770)	(2,242,497)
	220	34,903	23,709	58,832

Capital management

The Group manages its capital to ensure that the companies in the Group are able to operate as a going concern by optimising the structure of the debt and shareholders' equity while maximising shareholders' return. The objective of the Company's capital management is to ensure in compliance with the relevant laws, regulations and other regulatory requirements. According to the current relevant laws and regulations in effect, the Company's risk assets shall not exceed 8 times of net assets.

As at December 31, 2020, the risk assets to net assets ratio complied with the aforementioned regulations.

50. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

Financial assets/ financial liabilities	Fair value as at 2020/12/31 RMB'000	Fair value as at 2019/12/31 RMB'000	Fair value hierarchy	Valuation technique(s) and key input(s)
1) Financial assets at fair value through profit or loss				
— Funds	260,841	835,989	Level 2	Net asset value as published by the fund manager.
— Wealth management products	30,006	–	Level 2	Net asset value as published by the product manager.
— Equity instruments	111,571	–	Level 1	Quoted bid price in an active market.
	65,309	–	Level 2	Based on latest round of financing
	270,930	35,921	Level 3	Quoted market prices with an adjustment of discount for lack of marketability; or using market approach, with reference to the market value of the comparable listed company, as well as the liquidity discount impact.
— Structured deposits	–	340,125	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest/exchange rates (from observable yield curves at the end of the reporting period) and contract interest/exchange rates, discounted at a rate that reflects the credit risk of various counterparties.
— Asset management schemes and trust plans	160,543	75,949	Level 2	Net asset value as published by the issuer/financial institution.

50. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

Financial assets/ financial liabilities	Fair value as at 2020/12/31 RMB'000	Fair value as at 2019/12/31 RMB'000	Fair value hierarchy	Valuation technique(s) and key input(s)
2) Currency forwards	Assets: – Liabilities: (85,526)	Assets: 42,339 Liabilities: –	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.
3) Interest rate swaps	Liabilities: (160,674)	Liabilities: (98,805)	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, discounted at a rate that reflects the credit risk of various counterparties.
4) Cross currency interest rate swaps	Assets: – Liabilities: (113,710)	Assets: 7,280 Liabilities: –	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange/interest rates (from observable forward exchange rates/ observable yield curves at the end of the reporting period) and contract exchange/interest rates, discounted at a rate that reflects the credit risk of various counterparties.

50. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

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

There was no transfer between Level 1 and Level 2 during the year ended December 31, 2020 and 2019.

Reconciliation of Level 3 fair value measurements

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

During the year ended December 31, 2019, decreased of the Group's level 3 equity instruments amounting to RMB157 thousand represented the fair value change.

Financial instruments that are not measured at fair value

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

	Carrying amount		Fair value	
	2020/12/31 RMB'000	2019/12/31 RMB'000	2020/12/31 RMB'000	2019/12/31 RMB'000
Financial liabilities:				
Bonds Payable	32,359,969	31,446,942	32,505,904	31,619,948

50. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Financial instruments that are not measured at fair value (continued)

Fair value hierarchy of financial instruments not measured at fair value

	2020/12/31			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Bonds payable	—	32,505,904	—	32,505,904

	2019/12/31			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Bonds payable	—	31,619,948	—	31,619,948

The fair value of bonds payable is determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

Except for the above, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost on the Group's statements of financial position approximate their fair values because the majority of these financial assets and liabilities are matured within one year or at floating interest rates.

51. PARTICULARS OF SUBSIDIARIES

Details of the subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below:

Name of subsidiaries	Place and date of Incorporation/ establishment	Registered capital	Equity interest held by the Company At December 31, 2020	2019	Principal activities/ place of operation
Directly held:					
Haitong UniFortune International Leasing Co., Ltd	PRC, 2011	RMB 210,000,000	100%	100%	Leasing, PRC
Shanghai UniCircle Investment & Development Co., Ltd.	PRC, 2006	RMB 100,000,000	100%	100%	Trading, PRC

51. PARTICULARS OF SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Place and date of incorporation/ establishment	Registered capital	Equity interest held by the Company At December 31, 2020	2019	Principal activities/ place of operation
Haitong UniFortune Financial Leasing (Shanghai) Corporation (note ii)	PRC, 2014	RMB 1,360,000,000	100%	100%	Leasing, PRC
Haitong UT Leasing HK Limited	Hong Kong, 2017	USD 232,433,665	100%	100%	Leasing, Hong Kong
Penglai Hengshi Properties Limited (note i)	PRC, 2018	RMB 15,000,000	95%	95%	Government outsourcing businesses, PRC
Longyao County Hengjing Engineering Project Management Co., Ltd. (note i)	PRC, 2018	RMB 37,608,500	90%	90%	PPP project management, PRC
Longyao County Yutong Engineering Project Management Co., Ltd. (note i)	PRC, 2018	RMB 65,151,880	90%	90%	PPP project management, PRC
Tonggu County Dingxin Engineering Project Management Co., Ltd. (note i)	PRC, 2019	RMB 50,000,000	73.9%	73.9%	PPP project management, PRC
Le'an County Dingxin Engineering Project Management Co., Ltd. (note i)	PRC, 2019	RMB 214,661,100	75%	75%	PPP project management, PRC
Qimen County Dingxin Engineering Project Management Co., Ltd. (note i)	PRC, 2020	RMB 165,072,820	85%	N/A	PPP project management, PRC
Gui'an UT Financial Leasing (Shanghai) Co., Ltd. (Note 52)	PRC, 2016	RMB 1,500,000,000	100%	40%	Leasing, PRC
Indirectly held:					
Haitong Unitrust No.1 Limited	Ireland, 2016	USD1	100%	100%	Aircraft leasing, PRC (note iii)

51. PARTICULARS OF SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Place and date of incorporation/ establishment	Registered capital	Equity interest held by the Company At December 31, 2020	2019	Principal activities/ place of operation
Haitong UT Leasing Irish Holding Corporation Limited	Ireland, 2017	USD1	100%	100%	Aircraft related business, Ireland
Haitong Unitrust No.2 Limited	Ireland, 2017	USD1	100%	100%	Aircraft leasing, PRC (note iii)
Haitong Unitrust No.3 Limited	Ireland, 2017	USD1	100%	100%	Aircraft leasing, Philippines (note iii)
Haitong Unitrust No.4 Limited	Ireland, 2017	USD1	100%	100%	Aircraft leasing, Philippines (note iii)
Haitong Unitrust No.5 Limited	Ireland, 2017	USD1	100%	100%	Aircraft leasing, Mexico (note iii)
Haitong Unitrust No.6 Limited	Ireland, 2017	USD1	100%	100%	Aircraft leasing, Mexico (note iii)
Haitong UT Leasing Irish Finance Limited	Ireland, 2018	USD1	100%	100%	Financial service on aircraft related business, Ireland
Shanghai Dingjie Construction Development Co., Ltd.	PRC, 2018	RMB 20,000,000	100%	100%	Government outsourcing business and PPP project management, PRC
Haitong UT HK 1 Limited	Hong Kong, 2018	USD1	100%	100%	Aircraft Leasing, Qatar (note iii)
Haitong UT HK 2 Limited	Hong Kong, 2018	USD1	100%	100%	Aircraft Leasing, Qatar (note iii)
Haitong UT HK 3 Limited	Hong Kong, 2018	USD1	100%	100%	Aircraft Leasing, Indonesia (note iii)
Haitong UT HK 4 Limited	Hong Kong, 2018	USD1	100%	100%	Aircraft Leasing, Indonesia (note iii)
Haitong UT HK 5 Limited	Hong Kong, 2018	USD1	100%	100%	Aircraft Leasing, PRC (note iii)
Haitong UT HK 6 Limited	Hong Kong, 2018	USD1	100%	100%	Aircraft Leasing, PRC (note iii)
Haitong UT HK 7 Limited	Hong Kong, 2018	USD1	100%	100%	Aircraft Leasing, PRC (note iii)
Haitong UT HK 8 Limited	Hong Kong, 2018	USD1	100%	100%	Aircraft Leasing, PRC (note iii)
Haitong UT HK 9 Limited	Hong Kong, 2018	USD1	100%	100%	Financial service on aircraft related business, Hong Kong
Haitong UT HK 10 Limited	Hong Kong, 2018	USD1	100%	100%	Financial service on aircraft related business, Hong Kong

51. PARTICULARS OF SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Place and date of incorporation/ establishment	Registered capital	Equity interest held by the Company At December 31, 2020	2019	Principal activities/ place of operation
Haitong UT HK 15 Limited	Hong Kong, 2019	USD 1	100%	100%	Aircraft Leasing, Malaysia (note iii)
Haitong UT HK 16 Limited	Hong Kong, 2019	USD 1	100%	100%	Aircraft Leasing, Malaysia (note iii)
Haitong UT HK 17 Limited	Hong Kong, 2019	USD 1	100%	100%	Aircraft Leasing, PRC (note iii)
Haitong Unitrust No.1 Leasing (Tianjin) Corporation	PRC, 2019	RMB 100,000	100%	100%	Aircraft Leasing, PRC (note iii)
Haitong Unitrust No.2 Leasing (Tianjin) Corporation	PRC, 2019	RMB 100,000	100%	100%	Aircraft Leasing, PRC (note iii)
Haitong UT Holding Limited	Hong Kong, 2017	USD 1,000,000	100%	100%	Leasing, Hong Kong

note i: During the year ended December 31, 2020, the subsidiaries of the Company received capital injection of RMB34,596 thousand from their minority shareholders (2019: RMB14,304 thousand). The capital injections from the above minority shareholders were recognised as non-controlling interests.

note ii: In December,2020, Haitong UniFortune Financial Leasing (Shanghai) Corporation has changed the Chinese name from "海通恒信融資租賃(上海)有限公司" to "海通恒運融資租賃(上海)有限公司", and changed the English name from "Haitong UniTrust Financial Leasing (Shanghai) Corporation" to "Haitong UniFortune Financial Leasing (Shanghai) Corporation".

note iii: Place of operation represents the location of the lessee in aircraft leasing business.

As at December 31, 2020 and 2019, the subsidiaries of the Group which are established in the PRC are all limited liability companies registered under the PRC law.

As at December 31, 2020 and 2019, none of the subsidiaries had issued any debt securities at the end of the year.

52. ACQUISITION OF A SUBSIDIARY

In September, 2020, the Company entered into an agreement to acquire the 60% equity interest of Gui'an UT from Guian Financial Investment for a cash consideration of RMB950,000,000. The acquisition has been accounted for as acquisition of business using the acquisition method and Gui'an UT became a subsidiary of the Company subsequently. Gui'an UT is principally engaged in finance lease business.

No material acquisition-related costs have been recognised as an expense in the current year.

52. ACQUISITION OF A SUBSIDIARY (CONTINUED)

Assets acquired and liabilities assumed at the date of acquisition

	Fair Value RMB'000
Cash and bank balances	137,398
Finance lease receivables	2,362,338
Receivables arising from sale and leaseback arrangements	212,729
Property and equipment	1,087
Intangible assets	725
Right-of-use assets	7,026
Deferred tax assets	81,978
Other assets	82,601
Borrowings	(537,308)
Financial assets sold under repurchase agreements	(579,000)
Accrued staff costs	(5,105)
Income tax payable	(16,735)
Other liabilities	(165,045)
Net assets	1,582,689

The finance lease receivables acquired with a fair value of RMB2,362,338 thousand at the date of acquisition had present value of RMB2,686,489 thousand. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounting to RMB324,151 thousand.

The receivables arising from sale and leaseback arrangements acquired with a fair value of RMB212,729 thousand at the date of acquisition had present value of RMB216,490 thousand. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounting to RMB3,761 thousand.

	Amount RMB'000
Fair value of net assets	1,582,689
Less: Cash consideration paid	(950,000)
Fair value of the Group's interests in a joint venture before the acquisition	(633,076)
Difference recognized in profit or loss	(387)

The consideration transferred approximated to the recognised amounts of net assets acquired at the date of acquisition, the difference was recognised in profit or loss and no goodwill raised on this acquisition.

52. ACQUISITION OF A SUBSIDIARY (CONTINUED)

Net cash outflow on acquisition of a subsidiary

	Amount RMB'000
Cash consideration paid	950,000
Less: Bank balances and cash acquired	(137,398)
	812,602

Impact of acquisition on the results of the Group

Included in the Group's profit for the year is a loss of RMB4,802 thousand attributable to the additional business generated by Gui'an UT since the date of acquisition to the end of the reporting period.

Had the acquisition of Gui'an UT been completed on January 1, 2020, total revenue for the year of the Group from continuing operations would have been RMB8,091,370 thousand, and profit for the year from continuing operations would have been RMB1,055,476 thousand. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2020, nor is it intended to be a projection of future results.

53. THE IMPACT OF COVID-19

The domestic economy continued steady recovery and GDP growth rate has been back to positive territory in the second half of the year due to strict prevention measures taken throughout the country. At present, the Group's operation is generally stable and Covid-19's impact on business activities and asset quality have been minimized. The directors of the Company have fully considered the impact of Covid-19 when evaluating the ECL. The Group will continue monitoring and assessing the impact of Covid-19 and actively take measures to mitigate any future impact that might be caused by Covid-19.

54. SUBSEQUENT EVENTS

On February 26, 2021, Haitong Capital Co., Ltd. ("Haitong Capital") and Haitong Innovation Securities Investment Co., Ltd. ("Haitong Innovation") entered into a share transfer agreement. Haitong Capital transferred all the shares (2,440,846,824 domestic shares) it holds on the Company to Haitong Innovation. On March 18, 2021, Haitong Capital and Haitong Innovation conducted the procedures for the share transfer through China Securities Depository and Clearing Corporation Limited. Haitong Capital and Haitong Innovation are wholly-owned subsidiaries of Haitong Securities Co., Ltd., so the equity transfer will not affect the cumulative indirect shareholding percentage of Haitong Securities in the Company.

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

Deloitte. 德勤

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

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

OPINION

We have audited the consolidated financial statements of Haitong Unitrust International Financial Leasing Co., Ltd. (海通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 139 to 268, which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Expected credit loss allowance of finance lease receivables, receivables arising from sale and leaseback arrangements and loans and receivables	
We identified expected credit loss ("ECL") allowance of finance lease receivables, receivables arising from sale and leaseback arrangements and loans and receivables as a key audit matter due to the aggregate amount of these assets is material and it requires the application of judgement and estimation by the management to determine the amount of ECL. The measurement model for ECL involves significant judgements and estimations, including determination of whether there is significant increase in credit risk (SICR) and whether an asset is credit-impaired, the probability of default (PD) and loss given default (LGD), and incorporation of forward-looking information. As disclosed in Notes 20, 21 and 22, respectively, as at December 31, 2021, the Group held finance lease receivables of RMB35,037 million, less loss allowance of RMB1,564 million; receivables arising from sale and leaseback arrangements of RMB55,858 million, less loss allowance of RMB770 million; loans and receivables of RMB6,748 million, less loss allowance of RMB366 million.	Our procedures in relation to the expected credit loss allowance of finance lease receivables, receivables arising from sale and leaseback arrangements and loans and receivables included: • We understood management's process in credit approval, post approval monitoring, the identification of SICR indicators and impairment evidence, and parameters and data used in ECL model; • In particular, we tested the operating effectiveness of the controls over the identification of SICR indicators and impairment evidence; • On sample basis, we obtained credit analysis performed by management based on the business operation and financial information of the debtors to assess the appropriateness of the management's identification of SICR and credit-impaired assets; • With the support of our internal specialists, we evaluated the reasonableness of the ECL model methodology and related parameters including assessing stage determination, PD, LGD, risk exposure and forward-looking information; • For data used in ECL model we tested, on sample basis, the credit risk grading, write-off and recovery data for the year by checking to the relevant information on the credit risk grading list and write-off list approved by the management, and actual recovery records; • For credit-impaired assets, we tested on a samples basis the reasonableness of future cash flows estimated by the Group, including the expected recoverable amount from the counterparties, guarantors, or realisation of collateral held in supporting the computation of loss allowance; and • Recalculating the ECL allowance made by management.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Shi Chung Fai.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
March 29, 2022

Consolidated Statement of Profit or Loss for the Year Ended December 31, 2021

	Notes	2021 RMB'000	2020 RMB'000
Revenue			
Finance lease income	5	**3,336,405**	3,932,864
Interest income from sale and leaseback arrangements	5	**2,730,138**	2,017,118
Operating lease income	5	**451,145**	464,433
Service fee income	5	**1,281,697**	1,148,831
Factoring interest income	5	**355,592**	312,109
Entrusted loan and other loan interest income	5	**22,628**	39,671
Total revenue		**8,177,605**	7,915,026
Net investment gains	6	**34,226**	34,484
Share of result of a joint venture	19	**–**	(40,339)
Other income, gains or losses	7	**818,877**	644,420
Loss from derecognition of financial assets measured at amortised cost		**(77,524)**	(8,529)
Total revenue and other income, gains or losses		**8,953,184**	8,545,062
Depreciation and amortisation	8	**(422,813)**	(359,048)
Staff costs	9	**(738,560)**	(585,468)
Interest expenses	10	**(3,527,798)**	(3,676,099)
Other operating expenses	11	**(534,109)**	(508,158)
Impairment losses under expected credit loss model	12	**(1,713,016)**	(1,917,515)
Other impairment losses		**(85,315)**	(10,567)
Total expenses		**(7,021,611)**	(7,056,855)
Profit before income tax		**1,931,573**	1,488,207
Income tax expense	13	**(518,713)**	(372,223)
Profit for the year		**1,412,860**	1,115,984

Consolidated Statement of Profit or Loss
for the Year Ended December 31, 2021

	Notes	2021 RMB'000	2020 RMB'000
Attributable to:			
Owners of the Company			
— Ordinary shareholders		**1,321,231**	1,065,289
— Other equity instrument holders		**90,934**	50,221
Non-controlling interests		**695**	474
		1,412,860	1,115,984
Earnings per share attributable to ordinary shareholders of the Company (Expressed in RMB Yuan per share)			
— Basic	14	**0.16**	0.13
— Diluted	14	**N/A**	N/A

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Year Ended December 31, 2021

	2021 RMB'000	2020 RMB'000
Profit for the year	**1,412,860**	1,115,984
Other comprehensive income/(expense):		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**(21,127)**	(72,867)
Fair value gain/(loss) on hedging instruments designated as cash flow hedges	**94,909**	(74,695)
Other comprehensive income/(expense) for the year, net of income tax	**73,782**	(147,562)
Total comprehensive income for the year	**1,486,642**	968,422
Attributable to:		
Owners of the Company		
— Ordinary shareholders	**1,395,013**	917,727
— Other equity instrument holders	**90,934**	50,221
Non-controlling interests	**695**	474
	1,486,642	968,422

Consolidated Statement of Financial Position as at December 31, 2021

	Notes	2021/12/31 RMB'000	2020/12/31 RMB'000
Non-current assets			
Property and equipment	16	**5,463,211**	7,154,205
Right-of-use assets	17	**120,262**	165,036
Intangible assets	18	**15,205**	15,386
Finance lease receivables	20	**11,270,189**	20,751,276
Receivables arising from sale and leaseback arrangements	21	**31,521,846**	20,132,302
Loans and receivables	22	**575,177**	1,249,177
Financial assets at fair value through profit or loss	26	**128,099**	326,285
Deferred tax assets	23	**1,578,035**	1,540,986
Other assets	24	**2,202,020**	944,543
Total non-current assets		**52,874,044**	52,279,196
Current assets			
Finance lease receivables	20	**22,202,398**	27,660,127
Receivables arising from sale and leaseback arrangements	21	**23,566,177**	15,082,174
Loans and receivables	22	**5,806,749**	6,380,913
Other assets	24	**1,497,288**	952,265
Accounts receivable	25	**48,715**	36,913
Financial assets at fair value through profit or loss	26	**1,996,289**	572,915
Derivative financial assets	27	**11,079**	—
Cash and bank balances	28	**6,738,571**	5,176,968
Total current assets		**61,867,266**	55,862,275
Total assets		**114,741,310**	108,141,471

Consolidated Statement of Financial Position
as at December 31, 2021

	Notes	2021/12/31 RMB'000	2020/12/31 RMB'000
Current liabilities			
Borrowings	29	25,584,189	22,205,176
Derivative financial liabilities	27	231,247	359,910
Accrued staff costs	30	286,166	217,571
Accounts payable	31	34,552	30,118
Bonds payable	32	22,989,474	18,408,850
Income tax payable		743,751	663,899
Other liabilities	33	7,692,962	6,477,034
Total current liabilities		57,562,341	48,362,558
Net current assets		4,304,925	7,499,717
Total assets less current liabilities		57,178,969	59,778,913
Equity			
Share capital	34	8,235,300	8,235,300
Other equity instruments	35	2,384,512	1,523,756
Reserves			
— Capital reserve	36	2,492,962	2,497,465
— Surplus reserve	36	585,260	409,181
— Hedging reserve	36	22,716	(72,193)
— Translation reserve	36	(75,719)	(54,592)
Retained profits		3,890,937	3,263,152
Equity attributable to owners of the Company			
— Ordinary shareholders		15,151,456	14,278,313
— Other equity instrument holders		2,384,512	1,523,756
Non-controlling interests		83,675	51,730
Total equity		17,619,643	15,853,799

Consolidated Statement of Financial Position
as at December 31, 2021

	Notes	2021/12/31 RMB'000	2020/12/31 RMB'000
Non-current liabilities			
Borrowings	29	18,145,228	21,796,398
Bonds payable	32	14,865,356	13,951,119
Deferred tax liabilities	23	16,297	18,295
Other liabilities	33	6,532,445	8,159,302
Total non-current liabilities		39,559,326	43,925,114
Total equity and non-current liabilities		57,178,969	59,778,913

The consolidated financial statements on pages 139 to 268 were approved and authorised for issue by the Board of Directors on March 29, 2022 and signed on behalf by:

Ding Xueqing Chairman of the Board/ Executive Director	Zhou Jianli Executive Director/ General Manager

Consolidated Statement of Changes in Equity for the Year Ended December 31, 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 RMB'000 (Notes 35)	Non-controlling interest RMB'000	Total equity RMB'000
At December 31, 2020	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 year	–	–	–	–	–	1,321,231	1,321,231	90,934	695	1,412,860
Other comprehensive income/ (expense) for the year	–	–	–	94,909	(21,127)	–	73,782	–	–	73,782
Total comprehensive income/ (expense) for the year	–	–	–	94,909	(21,127)	1,321,231	1,395,013	90,934	695	1,486,642
Capital injection by non-controlling interests (Note 50)	–	–	–	–	–	–	–	–	31,250	31,250
Issue of other equity instruments	–	–	–	–	–	–	–	2,318,012	–	2,318,012
Redemption of other equity instruments	–	(4,503)	–	–	–	–	(4,503)	(1,481,997)	–	(1,486,500)
Appropriation to surplus reserve	–	–	176,079	–	–	(176,079)	–	–	–	–
Distribution to other equity instruments	–	–	–	–	–	–	–	(64,736)	–	(64,736)
Dividends recognised as distribution (Note 15)	–	–	–	–	–	(518,824)	(518,824)	–	–	(518,824)
Other	–	–	–	–	–	1,457	1,457	(1,457)	–	–
At December 31, 2021	8,235,300	2,492,962	585,260	22,716	(75,719)	3,890,937	15,151,456	2,384,512	83,675	17,619,643

Consolidated Statement of Changes in Equity for the Year Ended December 31, 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 RMB'000 (Notes 35)	Non-controlling interest RMB'000	Total equity RMB'000
At December 31, 2019	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 year	–	–	–	–	–	1,065,289	1,065,289	50,221	474	1,115,984
Other comprehensive expense for the year	–	–	–	(74,695)	(72,867)	–	(147,562)	–	–	(147,562)
Total comprehensive (expense)/ income for the year	–	–	–	(74,695)	(72,867)	1,065,289	917,727	50,221	474	968,422
Capital injection by non-controlling interests (Note 50)	–	–	–	–	–	–	–	–	34,596	34,596
Issue of other equity instruments	–	–	–	–	–	–	–	286,500	–	286,500
Appropriation to surplus reserve	–	–	94,182	–	–	(94,182)	–	–	–	–
Distribution to other equity instruments	–	–	–	–	–	–	–	(50,211)	–	(50,211)
Dividends recognised as distribution (Note 15)	–	–	–	–	–	(675,295)	(675,295)	–	–	(675,295)
Other	–	–	–	–	–	(34)	(34)	34	–	–
At December 31, 2020	8,235,300	2,497,465	409,181	(72,193)	(54,592)	3,263,152	14,278,313	1,523,756	51,730	15,853,799

Consolidated Statement of Cash Flows
for the Year Ended December 31, 2021

	Notes	2021 RMB'000	2020 RMB'000
OPERATING ACTIVITIES			
Profit before income tax		**1,931,573**	1,488,207
Adjustments for:			
Interest expenses		**3,527,798**	3,676,099
Interest income from deposits with financial institutions		**(97,692)**	(73,459)
Impairment losses recognised		**1,798,331**	1,928,082
Depreciation and amortisation		**422,813**	359,048
(Gains)/losses on disposal of property and equipment		**(108,702)**	250
Share of result of a joint venture		**–**	40,339
Foreign exchange losses, net		**16,162**	4,032
Net gains arising from financial assets at fair value through profit or loss		**(703)**	(9,375)
Unrealised fair value change		**(37,846)**	(8,313)
Operating cash flows before movements in working capital		**7,451,734**	7,404,910
Decrease in finance lease receivables		**13,875,934**	5,626,359
Increase in receivables arising from sale and leaseback arrangements		**(20,189,156)**	(13,289,752)
Decrease in loans and receivables		**898,193**	54,499
(Increase)/decrease in financial assets at fair value through profit or loss		**(120,073)**	574,002
Increase in accounts receivable		**(19,151)**	(39,439)
Increase in other assets		**(1,784,257)**	(330,604)
Increase in accrued staff costs		**68,595**	36,480
Increase/(decrease) in accounts payable		**4,434**	(249,281)
(Decrease)/increase in other liabilities		**(511,568)**	439,963
Cash (used in)/generated from operations		**(325,315)**	227,137
Income taxes paid, net		**(457,975)**	(665,623)
Interest received		**97,692**	73,459
Interest paid		**(3,065,713)**	(3,036,868)
NET CASH USED IN OPERATING ACTIVITIES		**(3,751,311)**	(3,401,895)

Consolidated Statement of Cash Flows
for the Year Ended December 31, 2021

	Notes	2021 RMB'000	2020 RMB'000
INVESTING ACTIVITIES			
Proceeds on sale of financial assets held under resale agreements		**16,509,000**	3,781,400
Proceeds on sale of financial assets at fair value through profit or loss		**2,331,921**	7,510,481
Disposal of property and equipment		**1,832,523**	17
Payments of restricted deposits		**(50,761)**	(200,313)
Payments of bank deposits		**(84,000)**	—
Purchase of financial assets held under resale agreements		**(16,509,000)**	(3,200,600)
Purchase of financial assets at fair value through profit or loss		**(3,339,011)**	(7,267,865)
Purchase of financial assets measured at amortised cost		**(375,810)**	(52,730)
Purchase of property and equipment and intangible assets		**(654,185)**	(2,765,741)
Acquisition of a subsidiary		**—**	(812,602)
NET CASH USED IN INVESTING ACTIVITIES		**(339,323)**	(3,007,953)
FINANCING ACTIVITIES			
Proceeds from issuance of other equity instruments		**2,330,000**	286,500
Proceeds from capital injection of the non-controlling investors		**31,250**	34,596
Proceeds from borrowings	40	**27,111,176**	27,719,873
Proceeds from issuance of bonds	40	**34,596,010**	30,080,599
Repayment of borrowings	40	**(27,142,210)**	(22,015,696)
Repayment of bonds payable	40	**(29,052,648)**	(29,169,117)
Repayment of other equity instruments		**(1,486,500)**	—
Repayments of lease liabilities	40	**(60,656)**	(63,994)
Payments for the costs of borrowings	40	**(43,515)**	(63,222)
Payments for the costs of bonds issuance	40	**(174,077)**	(153,578)
Payments for the costs of other equity instruments issuance		**(8,988)**	(2,402)
Payment of distribution of other equity instruments	40	**(64,736)**	(50,211)
Payment of dividends	40	**(518,824)**	(675,295)
NET CASH GENERATED FROM FINANCING ACTIVITIES		**5,516,282**	5,928,053
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**1,425,648**	(481,795)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	39	**4,570,959**	5,053,127
Effect of foreign exchange rate changes		**1,208**	(373)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	39	**5,997,815**	4,570,959

1. GENERAL INFORMATION

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

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

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

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

2.1 Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board ("IASB"), for the first time, which are mandatorily effective for the annual periods beginning on or after January 1, 2021 for the preparation of the 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

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee of the IASB issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories.

Except as described below, the application of the amendments to IFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

2.1 Amendments to IFRSs that are mandatorily effective for the current year (continued)

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

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

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

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

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

For other changes made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Group first applies the practical expedient to the changes required by interest rate benchmark reform by updating the effective interest rate. The Group then applies the applicable requirements in IFRS 9 *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.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

2.1 Amendments to IFRSs that are mandatorily effective for the current year (continued)

Transition and summary of effects

As at January 1, 2021, the Group had certain financial liabilities and derivatives, the interest of which were indexed to benchmark rates that were subject to interest rate benchmark reform. After assessment, the Group considered the application of this amendment has had no material impact on the Group's financial positions and performance for the current year.

2.2 New and amendments to IFRSs in issue but not yet effective

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

IFRS 17	Insurance Contracts and the related Amendments[3]
Amendments to IFRS 3	Reference to the Conceptual Framework[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendment to IFRS 16	Covid-19 — Related Rent Concessions beyond 30 June 2021[1]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[3]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[3]
Amendments to IAS 8	Definition of Accounting Estimates[3]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[3]
Amendments to IAS 16	Property, Plant and Equipment — Proceeds before Intended Use[2]
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract[2]
Amendments to IFRSs	Annual Improvements to IFRSs 2018–2020[2]

1 Effective for annual periods beginning on or after April 1, 2021.

2 Effective for annual periods beginning on or after January 1, 2022.

3 Effective for annual periods beginning on or after January 1, 2023.

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statements

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

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

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of preparation of consolidated financial statements (continued)

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

3.2 Significant accounting policies

Basis of consolidation

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

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

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

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

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Basis of consolidation (continued)

Changes in the Group's interests in existing subsidiaries

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

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

Business combinations

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

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Business combinations (continued)

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

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Business combinations (continued)

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

Investments in subsidiaries

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

Investments in joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of the joint venture are incorporated in the consolidated financial statements using the equity method of accounting. The financial statements of the joint venture used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances.

Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. Changes in net assets of the joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Investments in joint ventures (continued)

The Group assesses whether there is any objective evidence that the interest in a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former joint venture and the retained interest is a financial asset within the scope of IFRS 9, the Group measures the retained interest at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the joint venture, and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the joint venture is included in the determination of the gain or loss on disposal of the joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that joint venture on the same basis as would be required if that joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant joint venture.

When the Group reduces its ownership interest in a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When the Group increases its ownership interest in a joint venture, the consideration transferred to acquire the additional shares should be added to the existing carrying amount of the investment without remeasurement of the previously held interest.

When a group entity transacts with a joint venture of the Group, profits and losses resulting from the transactions with the joint venture are recognised in the Group’s consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Property and equipment

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

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

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Property and equipment (continued)

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

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

Investment properties

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

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

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

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

Properties under development/properties for sale

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Intangible assets

Intangible assets acquired separately

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

Derecognition of intangible assets

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

Impairment on operating lease assets and intangible assets other than goodwill

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Impairment on operating lease assets and intangible assets other than goodwill (continued)

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

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

Leases

Definition of a lease

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

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

The Group as a lessee

Allocation of consideration to components of a contract

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

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

Short-term leases and leases of low-value assets

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

Right-of-use assets

The cost of right-of-use assets includes:

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

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

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

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

Refundable rental deposits

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

Lease liabilities

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

Lease liabilities (continued)

The lease payments include:

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

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

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment; or
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities within “borrowings”.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability, less any lease incentives receivable, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset.

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

Changes in the basis for determining the future lease payments as a result of interest rate benchmark reform

For changes in the basis for determining the future lease payments as a result of interest rate benchmark reform, the Group applies the practical expedient to remeasure the lease liabilities by discounting the revised lease payments using the unchanged discount rate and makes a corresponding adjustment to the related right-of-use assets. A lease modification is required by interest rate benchmark reform if, and only if, both of these conditions are met:

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

- the new basis for determining the lease payments is economically equivalent to the previous basis (i.e. the basis immediately preceding the modification).

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognised as receivables at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Initial direct costs (other than those incurred by manufacturer or dealer lessors) are included in the initial measurement of the net investments in the leases. Interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term.

Interest and rental income which are derived from the Group's ordinary course of business are presented as revenue.

Refundable rental deposits

Refundable rental deposits received are accounted for under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Lease modification

Changes in considerations of lease contracts that were not part of the original terms and conditions are accounted for as lease modifications, including lease incentives provided through forgiveness or reduction of rentals.

(i) Operating leases

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessor (continued)

Lease modification (continued)

(ii) Finance leases

The Group accounts for a change in the lease payments of a finance lease as a lease modification, that is not accounted for as a separate lease, in accordance with the requirements of IFRS 9. If the change represents a substantial modification, the finance lease receivables of the original lease are derecognised and a derecognition gain or loss calculated using the revised lease payments discounted at the revised discount rate is recognised in profit or loss on the date of the modification. If the change does not represent a substantial modification, the Group continues to recognise the finance lease receivables in which such carrying amount will be calculated at the present value of the modified contractual cash flows discounted at the related receivables' original discount rate. Any adjustment to the carrying amount is recognised in profit or loss at the effective date of modification.

Changes in the basis for determining the future lease payments as a result of interest rate benchmark reform

For changes in the basis for determining the future lease payments as a result of interest rate benchmark reform for a finance lease that is not accounted for as a separate lease, the Group applies the same accounting policies as those applicable to financial instruments (see accounting policy below).

Sale and leaseback transactions

The Group applies the requirements of IFRS 15 *Revenue from Contracts with Customers* to assess whether sale and leaseback transaction constitutes a sale by the Group.

The Group as a buyer-lessor

For a transfer of asset that does not satisfy the requirements of IFRS 15 to be accounted for as a sale of asset, the Group as a buyer-lessor does not recognise the transferred asset and recognises a receivable arising from sale and leaseback arrangements equal to the transfer proceeds within the scope of IFRS 9.

For a transfer of asset that satisfies the requirements of IFRS 15 to be accounted for as a sale of asset, the Group as a buyer-lessor accounts for the purchase of the asset applying applicable standards, and for the lease applying the lessor accounting requirements in accordance with IFRS 16.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into RMB, which is the presentation currency of the Group, using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period or the exchange rates similar with the spot exchange rate on the date of the transaction. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (and attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the shareholders of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, or construction of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. For properties under development for which revenue is recognised over time, the Group ceases to capitalise borrowing costs as soon as the properties are ready for the Group's intended sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income, gains or losses".

Employee benefits

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

Social welfare

Social welfare expenditure refers to payments for employees' social welfare system established by the government of the PRC, including social pension insurance, health care insurance, housing funds and other social welfare contributions. The Group contributes on a regular basis to these funds based on certain percentage of the employees' salaries and the contributions are recognised in profit or loss for the period when employees have rendered service entitling them to the contribution.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit/loss before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Taxation (continued)

Deferred tax (continued)

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities results in net deductible temporary differences.

Current and deferred tax for the year

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest which are derived from the Group's ordinary course of business are presented as revenue.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 *Business Combinations* applies.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that is required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "net investment gains" line item.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets including cash and bank balances, receivables arising from sale and leaseback arrangements, loans and receivables, accounts receivable and other financial assets, and other items including finance lease receivables which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument (referred to as Stage 2 and Stage 3). In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date (referred to as Stage 1). Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for accounts receivable. The ECL on these assets are assessed individually for debtors with significant balances and collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the borrower or issuer;

(b) the contractual payments are past due more than 90 days;

(c) the borrower is unlikely to pay its credit obligations to the Group in full;

(d) the disappearance of an active market for that financial asset because of financial difficulties; or

(e) other objective evidences of credit-impairment.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Credit-impaired financial assets (continued)

When assessing the likelihood of the borrower to pay its credit obligation, the Group takes into account both qualitative and quantitative indicators. Qualitative indicators, such as the breach of covenants, and quantitative indicators, such as overdue status and non-payment on another obligation of the same counterparty are key inputs in this analysis. The Group uses a variety of sources of information to assess credit-impairment which are either developed internally or obtained from external sources.

It may not be possible to identify a single discrete event. Instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Group assesses whether financial assets that are measured at amortised cost are credit-impaired at each reporting date.

Significant increase in credit risk

The Group monitors all financial assets that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime ECL rather than 12-month ECL. The Group's accounting policy is to use the practical expedient that financial assets with 'low' credit risk at the reporting date are deemed not to have had a significant increase in credit risk. As a result, the Group monitors all financial assets that are subject to impairment for significant increase in credit risk.

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Significant increase in credit risk (continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- the contractual payments are past due more than 30 days;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on receivable using a provision matrix taking into consideration historical credit loss experience and forward looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a finance lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with IFRS 16.

Lifetime ECL for certain finance lease receivables, receivables arising from sale and leaseback arrangements, loans and receivables, accounts receivable and other financial assets are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- past-due status;
- nature, size and industry of debtors; and
- external credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Measurement and recognition of ECL (continued)

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, except for finance lease receivables, receivables arising from sale and leaseback arrangements, loans and receivables, other assets, accounts receivable and bank balances, where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss, with the exception of equity investment designated as measured at FVTOCI, where the cumulative gain or loss previously recognised in other comprehensive income is not subsequently reclassified to profit or loss, but is transferred to retained profits.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Derecognition of financial assets (continued)

As part of its operational activities, the Group securitises financial assets, generally through the sale of these assets to structured entities which issue securities to investors. Interests in the securitised financial assets may be retained in the form of senior or junior tranches, or other residual interests (retained interests). When applying the policies on securitised financial assets, the Group has considered both the degree of transfer of risks and rewards on the transferred financial assets and the degree of control exercised by the Group over the transferred financial assets:

- when the Group transfers substantially all the risks and rewards of ownership of the financial assets, the Group shall derecognise the financial assets;

- when the Group retains substantially all the risks and rewards of ownership of the financial assets, the Group shall continue to recognise the financial assets; and

- when the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial assets, the Group would determine whether it has retained control of the financial assets. If the Group has not retained control, it shall derecognise the financial assets and recognise separately as assets or liabilities any rights and obligations created or retained in the transfer. If the Group has retained control, it shall continue to recognise the financial assets to the extent of its continuing involvement in the financial assets.

When a securitisation of financial assets does not qualify for derecognition, the relevant financial assets are not derecognised, and the consideration collected from third parties is recorded as a financial liability.

When the securitisation results in derecognisation or partial derecognisation of financial assets, the Group allocates the carrying amount of the transferred financial assets between the financial assets derecognised and the retained interests based on their relative fair values at the date of the transfer. Gains or losses on securitisation, which is the difference between the consideration received and the allocated carrying amount of the financial assets derecognised, are recorded in “Loss from derecognition of financial assets measured at amortised cost”. The retained interests continue to be recognised on the same basis before the securitisation.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Perpetual instruments, which include no contractual obligation for the Group to deliver cash or other financial assets or the Group has the sole discretion to defer payment of distribution and redemption of principal amount indefinitely are classified as equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which IFRS 3 applies, (ii) held for trading, or (iii) it is designated as at FVTPL.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Financial liabilities at FVTPL (continued)

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities designated as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IFRS 9 are satisfied.

No financial liability is designated as at FVTPL by the Group.

Financial liabilities at amortised cost

Financial liabilities including borrowings, accounts payable, bonds payable, bank acceptance bill, amounts due to related parties and other payables are subsequently measured at amortised cost, using the effective interest method.

Derecognition/modification of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, canceled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Except for changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform in which the Group applies the practical expedient, when the contractual terms of a financial liability are modified, the Group assess whether the revised terms result in a substantial modification from original terms taking into account all relevant facts and circumstances including qualitative factors. If qualitative assessment is not conclusive, the Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly, such modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

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

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

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

- the change is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (i.e. the basis immediately preceding the change).

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

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

All derivatives are recognised as assets when the fair value is positive and as liabilities when the fair value is negative.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Hedge accounting

The Group designates certain derivatives as hedging instruments for cash flow hedges.

At the inception of the hedging relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

For the purpose of determining whether a forecast transaction (or a component thereof) is highly probable, the Group assumes that the interest rate benchmark on which the hedged cash flows (contractually or non-contractually specified) are based is not altered as a result of interest rate benchmark reform.

Assessment of hedging relationship and effectiveness

For hedge effectiveness assessment, the Group considers whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Hedge accounting (continued)

Assessment of hedging relationship and effectiveness (continued)

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

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

Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualified as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'net investment gains' line item.

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

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income. Furthermore, if the Group expects that some or all of the loss accumulated in the hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Hedge accounting (continued)

Discontinuation of hedge accounting

The Group discontinues hedge accounting prospectively only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. Discontinuing hedge accounting can either affect a hedging relationship in its entirety or only a part of it (in which case hedge accounting continues for the remainder of the hedging relationship).

For cash flow hedge, any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transactions is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount is presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Revenue recognition

The Group recognises revenue to depict the transfer of promised services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services. A 5-step approach to revenue recognition is applied:

- Step 1: Identify the contract (s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a service (or a bundle of services) that is distinct or a series of distinct services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct service.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Revenue recognition (continued)

A contract asset represents the Group's right to consideration in exchange for services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

The Group recognises revenue from the following major sources:

(i) Finance lease income

The Group's accounting policy for recognition of revenue from finance leases is described in the accounting policy for leases above.

(ii) Interest income from sale and leaseback arrangements, factoring and entrusted loan and other loan.

Interest income from sale and leaseback arrangements, factoring interest income and entrusted loan and other loan interest income are recognised as revenue in each period using the effective interest method during the terms of the contract.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a timely basis using the effective interest method, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

(iii) Rental income from operating leases

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leases above.

(iv) Service fee income

Service fee income is from contracts with customers and recognised at a point in time when the services are completed under the terms of each service engagement and the revenue can be measured reliably, since only by that time the Group has a present right to payment from the customers for the service performed.

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3.2, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Classification of leases

The Group has entered into certain lease businesses whereby the Group has determined that it has transferred substantially all the risks and rewards incidental to ownership of the assets held for lease businesses to the lessees, as at the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset. Accordingly, the Group has excluded the assets held for lease businesses under such leases from its consolidated statement of financial position and instead recognised finance lease receivables and receivables arising from sale and leaseback arrangements as disclosed in Notes 20 and 21. Otherwise the Group includes the assets held for lease businesses under operating lease in property and equipment. The determination of whether the Group has transferred substantially all the risks and rewards incidental to ownership depends on an assessment of the relevant arrangements relating to the lease, which involved critical judgements by management.

Classification of financial assets

One important consideration in classification and measurement of financial assets is the result of business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (continued)

Impairment of finance lease receivables, receivables arising from sale and leaseback arrangements and loans and receivables

The Group reviews its finance lease receivables, receivables arising from sale and leaseback arrangements and loans and receivables to assess impairment on a regular basis. The methodologies and assumptions used in estimating the ECL are reviewed regularly. This includes the selection of models, inputs and determination of whether the credit risk of an asset has significantly increased by taking into account forward looking information. The impairment provision of ECL is sensitive to changes in estimates which involve high degree of judgement and uncertainty.

Impairment of equipment held for operating lease business

The Group's equipment held for operating lease business are aircraft. In determining whether the aircraft are impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, the recoverable amount is the higher of the net amount of assets' fair value minus the cost of disposal, and the estimated value in use; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections, appropriate discount rate and the fair value. Changing the assumptions and estimates, could materially affect the recoverable amounts. Furthermore, the cash flows projections, discount rate and fair value are subject to greater uncertainties due to uncertainty on how the Covid-19 pandemic may progress and evolve.

Fair value of financial assets

The Group uses valuation techniques to estimate the fair value of financial assets which are not quoted in an active market. These valuation techniques include the use of recent transaction prices, discounted cash flow analysis, etc. To the extent practical, market observable inputs and data are used when estimating fair value through a valuation technique. Where market observable inputs are not available, they are estimated using assumptions that are calibrated as closely as possible to market observable data. However, areas such as the credit risk of the Group and the counterparty, volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the estimated fair value of financial assets.

Income taxes

There are certain transactions and activities for which the ultimate tax determination is subject to the final approval of annual tax return the group entities file with relevant tax authorities. Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will impact the current income tax and deferred income tax in the period during which such a determination is made.

5. REVENUE AND SEGMENT INFORMATION

	2021 RMB'000	2020 RMB'000
Finance lease income (note i)	3,336,405	3,932,864
Interest income from sale and leaseback arrangements (note ii)	2,730,138	2,017,118
Operating lease income	451,145	464,433
Service fee income (note iii)	1,281,697	1,148,831
Factoring interest income (note ii)	355,592	312,109
Entrusted loan and other loan interest income (note ii)	22,628	39,671
Total revenue	8,177,605	7,915,026

notes:

(i) The Group has no variable lease payments which is not included in the measurement of finance lease receivables for the year ended December 31, 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.

Segment reporting

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

Geographical information

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

Information about major customers

During the year ended December 31, 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 GAINS

	2021 RMB'000	2020 RMB'000
Net (losses) /gains arising from derivative financial instruments	(10,929)	3,033
Net gains arising from financial assets at fair value through profit or loss	42,078	31,222
Other	3,077	229
	34,226	34,484

7. OTHER INCOME, GAINS OR LOSSES

	2021 RMB'000	2020 RMB'000
Interest income from deposits with financial institutions	97,692	73,459
Interest income from financial assets held under resale agreements	3,211	42,692
Interest income from asset-backed securities	26,903	9,402
Foreign exchange losses, net	(16,162)	(4,032)
Government grants (note i)	297,150	151,713
Losses on disposal of repossessed finance lease assets	(30,068)	(6,040)
Gains on disposal of assets under operating lease	48,236	—
Gains on disposal of land and building (Note 45)	60,469	—
Income from government outsourcing business (note ii)	273,366	330,266
Other	58,080	46,960
	818,877	644,420

notes:

(i) Government grants primarily consist of preferential policy of the government for value-added tax and fiscal support that local governments offer to enterprises in financial leasing industry, etc.

(ii) During the year ended December 31, 2021, the Group recognised relevant income from government outsourcing business and cost relating to government outsourcing business according to signed agreements, the cost refers to Note 11.

8. DEPRECIATION AND AMORTISATION

	2021 RMB'000	2020 RMB'000
Depreciation of property and equipment	353,994	290,356
Depreciation of right-of-use assets	62,888	63,404
Amortisation of intangible assets	5,931	5,288
	422,813	359,048

9. STAFF COSTS

	2021 RMB'000	2020 RMB'000
Salaries, bonus and allowances	565,711	479,150
Social welfare	150,265	86,363
Other	22,584	19,955
	738,560	585,468

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

10. INTEREST EXPENSES

	2021 RMB'000	2020 RMB'000
Interest on liabilities:		
Bank and other borrowings	**2,131,756**	2,261,268
Bonds payables	**1,388,911**	1,405,427
Lease liabilities	**7,131**	9,404
	3,527,798	3,676,099

11. OTHER OPERATING EXPENSES

	2021 RMB'000	2020 RMB'000
Cost relating to government outsourcing business (Note 7)	**224,797**	273,902
Advisory expenses	**83,331**	50,326
Business traveling expenses	**61,490**	44,696
Tax and surcharges	**30,948**	25,970
Communication expenses	**17,814**	16,057
Administrative expenses	**16,046**	12,338
Bank charges	**16,025**	9,676
Business development expenses	**14,539**	11,527
Property management expenses	**13,068**	16,300
Auditor's fee	**3,827**	3,473
Short-term lease expenses	**1,185**	4,605
Other	**51,039**	39,288
	534,109	508,158

12. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL

	2021 RMB'000	2020 RMB'000
Impairment loss recognised/(reversed) on:		
— finance lease receivables	1,062,882	1,266,219
— receivables arising from sale and leaseback arrangements	315,609	231,697
— loans and receivables	313,384	400,064
— accounts receivable	7,349	19,208
— financial assets held under resale agreements	—	(5,286)
— bank balances	14	14
— other assets	13,778	5,599
	1,713,016	1,917,515

13. INCOME TAX EXPENSE

	2021 RMB'000	2020 RMB'000
Current tax:		
PRC Enterprise Income Tax	**545,599**	811,575
Hong Kong Profit Tax	**16,237**	5,230
Other jurisdictions	**107**	148
Sub-total	**561,943**	816,953
Deferred tax	**(43,230)**	(444,730)
Total	**518,713**	372,223

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

The reconciliation between the income tax expense at the statutory tax rate of 25% and the effective tax rate is as follows:

	2021 RMB'000	2020 RMB'000
Profit before income tax	**1,931,573**	1,488,207
Tax at the statutory tax rate of 25%	**482,893**	372,052
Tax effect of expenses not deductible for tax purpose	**41,847**	17,606
Tax effect of income not taxable and exemptions for tax purpose	**(1,475)**	(3,345)
Tax effect of share of result of a joint venture	**—**	7,942
Tax effect of interest expenses of other equity instruments	**(16,184)**	(12,553)
Effect of different tax rates of subsidiaries	**11,632**	(9,479)
Income tax expense for the year	**518,713**	372,223

14. EARNINGS PER SHARE

	2021 RMB'000	2020 RMB'000
Earnings for the purpose of basic and diluted earnings per share:		
Profit for the year attributable to ordinary shareholders of the Company	**1,321,231**	1,065,289
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)	**0.16**	0.13
Diluted earnings per share (Expressed in RMB Yuan per share)	**N/A**	N/A

No diluted earnings per share for the year ended December 31, 2021 and 2020 were presented as there were no potential ordinary shares in issue for the years.

15. DIVIDENDS

Subsequent to the end of the reporting period, based on 8,235,300,000 ordinary shares, the Board of Directors of the Company declared a cash dividend of RMB0.29 per 10 shares (tax inclusive) in respect of the year ended December 31, 2021 (the final dividend), in an aggregate amount of RMB238,823,700.00 (tax inclusive), which is subject to approval by the shareholders in the 2021 annual general meeting to be held by the Company (2020 final dividend amounting to RMB123,529,500.00 (tax inclusive) was recognised and paid in 2021).

The interim cash dividend in respect of the six months ended June 30, 2021 was RMB0.48 per 10 shares (tax inclusive), in an aggregate amount of RMB395,294,400.00 (tax inclusive) recognised in current year (2020 interim dividend: RMB312,941,400.00 (tax inclusive)).

16. PROPERTY AND EQUIPMENT

	2021 RMB'000	2020 RMB'000
Equipment held for operating lease business	5,281,352	5,684,346
Property and equipment held for administrative purpose	181,859	1,469,859
Total	5,463,211	7,154,205

As at December 31, 2021, the net carrying amount of the Group's property and equipment pledged as collateral for the Group's bank borrowings amounted to RMB4,839,057 thousand (December 31, 2020: RMB6,699,427 thousand).

16a. Equipment held for operating lease business

The Group leases out a number of aircraft under operating leases. The leases typically run for an initial period of 65 to 188 months.

	Aircraft RMB'000
Cost	
As at December 31, 2020	6,209,362
Additions	545,982
Disposals	(552,662)
Exchange differences	(148,806)
As at December 31, 2021	6,053,876
Accumulated depreciation and impairment	
As at December 31, 2020	525,016
Depreciation charged for the year	304,938
Impairment loss recognised in profit or loss	46,616
Eliminated on disposals	(88,263)
Exchange differences	(15,783)
As at December 31, 2021	772,524
Net carrying amount	
As at December 31, 2020	5,684,346
As at December 31, 2021	5,281,352

16. PROPERTY AND EQUIPMENT (CONTINUED)

16a. Equipment held for operating lease business (continued)

	Aircraft RMB'000
Cost	
As at December 31, 2019	4,861,461
Additions	1,804,594
Exchange differences	(456,693)
As at December 31, 2020	6,209,362
Accumulated depreciation	
As at December 31, 2019	314,385
Charge for the year	243,605
Exchange differences	(32,974)
As at December 31, 2020	525,016
Net carrying amount	
As at December 31, 2019	4,547,076
As at December 31, 2020	5,684,346

Impairment assessment

The management of the Group concluded that there was indication for impairment of certain aircraft and conducted impairment assessment on aircraft held for operating lease business with present value of RMB5,327,612 thousand. The recoverable amounts of aircraft held for operating lease business are estimated individually.

The recoverable amounts of the aircraft held for operating lease business have been determined based on the higher of its value in use and fair value less costs of disposal. Value in use is determined as the total discounted cash flows expected to be generated by an aircraft in the future. The estimated cash flows are discounted to their present value by using a pre-tax discount rate that reflects current market assumptions of the time value of money and the risks specific to the asset. Fair value less costs to sell are determined by the Group based on the most relevant observable information from independent appraisal firms. In cases where the carrying value of the aircraft exceeded the higher of value in use and fair value less costs to sell, an impairment charge was recognised.

As a result of the review, the relevant aircraft were impaired to their recoverable amount of RMB5,281,352 thousand, which was their carrying values at year end and the impairment of RMB46,616 thousand has been recognised in profit or loss during the year ended December 31, 2021 (2020: nil).

16. PROPERTY AND EQUIPMENT (CONTINUED)

16b. Property and equipment held for administrative purpose

	Motor vehicles RMB'000	Electronic equipment RMB'000	Office equipment RMB'000	Leasehold land and buildings RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
Cost							
As at December 31, 2020	6,734	25,234	12,174	1,382,349	109,440	16,094	1,552,025
Additions	–	7,630	692	–	7,400	1,516	17,238
Transfer	–	–	33	–	1,704	(1,737)	–
Disposals	–	(2,296)	(196)	(1,288,094)	(2,314)	–	(1,292,900)
Exchange differences	–	(4)	(2)	–	(8)	–	(14)
As at December 31, 2021	6,734	30,564	12,701	94,255	116,222	15,873	276,349
Accumulated depreciation							
As at December 31, 2020	2,955	18,521	5,012	22,650	33,028	–	82,166
Charge for the year	981	3,459	2,009	17,469	25,138	–	49,056
Eliminated on disposals	–	(2,181)	(185)	(32,049)	(2,306)	–	(36,721)
Exchange differences	–	(2)	(1)	–	(8)	–	(11)
As at December 31, 2021	3,936	19,797	6,835	8,070	55,852	–	94,490
Net carrying amount							
As at December 31, 2020	3,779	6,713	7,162	1,359,699	76,412	16,094	1,469,859
As at December 31, 2021	2,798	10,767	5,866	86,185	60,370	15,873	181,859

	Motor vehicles RMB'000	Electronic equipment RMB'000	Office equipment RMB'000	Leasehold land and buildings RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
Cost							
As at December 31, 2019	6,079	21,963	6,738	94,255	30,210	72,268	231,513
Additions	236	3,072	5,848	1,249,915	28,220	45,570	1,332,861
Acquired through acquisition of a subsidiary	419	235	287	–	146	–	1,087
Transfer	–	9	320	38,179	63,236	(101,744)	–
Disposals	–	(36)	(1,015)	–	(12,352)	–	(13,403)
Exchange differences	–	(9)	(4)	–	(20)	–	(33)
As at December 31, 2020	6,734	25,234	12,174	1,382,349	109,440	16,094	1,552,025
Accumulated depreciation							
As at December 31, 2019	2,046	14,736	4,313	2,268	25,178	–	48,541
Charge for the year	909	3,814	1,435	20,382	20,211	–	46,751
Eliminated on disposals	–	(25)	(734)	–	(12,352)	–	(13,111)
Exchange differences	–	(4)	(2)	–	(9)	–	(15)
As at December 31, 2020	2,955	18,521	5,012	22,650	33,028	–	82,166
Net carrying amount							
As at December 31, 2019	4,033	7,227	2,425	91,987	5,032	72,268	182,972
As at December 31, 2020	3,779	6,713	7,162	1,359,699	76,412	16,094	1,469,859

17. RIGHT-OF-USE ASSETS

	Land and buildings RMB'000	Other RMB'000	Total RMB'000
Cost			
As at December 31, 2020	255,808	251	256,059
Additions	20,228	311	20,539
Disposals	(24,815)	(26)	(24,841)
Exchange differences	(215)	—	(215)
As at December 31, 2021	251,006	536	251,542
Accumulated depreciation			
As at December 31, 2020	90,881	142	91,023
Charge for the year	62,764	124	62,888
Eliminated on disposals	(22,440)	(26)	(22,466)
Exchange differences	(165)	—	(165)
As at December 31, 2021	131,040	240	131,280
Net carrying amount			
As at December 31, 2020	164,927	109	165,036
As at December 31, 2021	119,966	296	120,262

	Land and buildings RMB'000	Other RMB'000	Total RMB'000
Cost			
As at December 31, 2019	253,656	243	253,899
Additions	42,489	26	42,515
Acquired through acquisition of a subsidiary	7,026	—	7,026
Disposals	(46,879)	(18)	(46,897)
Exchange differences	(484)	—	(484)
As at December 31, 2020	255,808	251	256,059
Accumulated depreciation			
As at December 31, 2019	68,075	104	68,179
Charge for the year	63,349	55	63,404
Eliminated on disposals	(40,320)	(17)	(40,337)
Exchange differences	(223)	—	(223)
As at December 31, 2020	90,881	142	91,023
Net carrying amount			
As at December 31, 2019	185,581	139	185,720
As at December 31, 2020	164,927	109	165,036

17. RIGHT-OF-USE ASSETS (CONTINUED)

The Group leases various land and buildings, vehicle and parking space for its operations. Lease contracts are entered into for term of 14 months to 74 months. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

For the year ended December 31, 2021, expense relating to short-term leases amounted to RMB1,185 thousand (2020: RMB4,605 thousand). For the year ended December 31, 2021 and 2020, no expense was related to leases of low-value assets excluding short-term leases of low value assets.

As at December 31, 2021 and 2020, the portfolio of short-term leases was similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

For the year ended December 31, 2021, total cash outflow for leases amounted to RMB68,972 thousand (2020: RMB78,003 thousand).

In addition, lease liabilities of RMB125,852 thousand were recognised as at December 31, 2021 (December 31, 2020: RMB171,786 thousand) (Note 29). For the year ended December 31, 2021, the interest expenses of lease liabilities amounted to RMB7,131 thousand (2020: RMB9,404 thousand) (Note 10). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

As at December 31, 2021 and 2020, the Group did not enter into any lease that was not yet commenced.

18. INTANGIBLE ASSETS

	Computer software and other RMB'000
Cost	
As at December 31, 2020	39,205
Additions	5,750
As at December 31, 2021	44,955
Accumulated amortisation	
As at December 31, 2020	23,819
Charge for the year	5,931
As at December 31, 2021	29,750
Carrying amount	
As at December 31, 2020	15,386
As at December 31, 2021	15,205

18. INTANGIBLE ASSETS (CONTINUED)

	Computer software and other RMB'000
Cost	
As at December 31, 2019	34,305
Additions	4,175
Acquired through acquisition of a subsidiary	725
As at December 31, 2020	39,205
Accumulated amortisation	
As at December 31, 2019	18,531
Charge for the year	5,288
As at December 31, 2020	23,819
Carrying amount	
As at December 31, 2019	15,774
As at December 31, 2020	15,386

19. INTEREST IN A JOINT VENTURE

In September, 2020, the Company entered into agreements with Guizhou Gui'an Financial Investment Co., Ltd. ("Gui'an Financial Investment"), to further acquire 60% shares of Gui'an UT (currently known as "Haitong UT MSE Financial Leasing (Shanghai) Co., Ltd", a joint venture of the Company at then). After the acquisition, Gui'an UT became a subsidiary of the Company. Refer to Note 50 for details. The Group's share of loss from the joint venture's continuing operations from January 1, 2020 to the date of acquisition amounting to RMB40,339 thousand was recognised in consolidated statement of profit or loss in 2020.

20. FINANCE LEASE RECEIVABLES

	2021/12/31 RMB'000	2020/12/31 RMB'000
Minimum finance lease receivables		
— Within one year	25,533,151	31,181,156
— In the second year	9,925,219	16,998,643
— In the third year	1,871,410	5,451,619
— In the fourth year	396,805	480,912
— In the fifth year	296,806	295,766
— After five years	597,410	501,855
Gross amount of finance lease receivables	38,620,801	54,909,951
Less: Unearned finance lease income	(3,584,005)	(4,980,779)
Present value of minimum finance lease receivables	35,036,796	49,929,172
Less: Loss allowance	(1,564,209)	(1,517,769)
Carrying amount of finance lease receivables	33,472,587	48,411,403
Present value of minimum finance lease receivables		
— Within one year	23,211,519	28,544,638
— In the second year	9,021,983	15,457,681
— In the third year	1,697,408	4,861,631
— In the fourth year	352,818	397,837
— In the fifth year	256,240	249,560
— After five years	496,828	417,825
Total	35,036,796	49,929,172
Analysed as:		
Current	22,202,398	27,660,127
Non-current	11,270,189	20,751,276
Total	33,472,587	48,411,403

20. FINANCE LEASE RECEIVABLES (CONTINUED)

The Group entered into finance lease arrangements with leased assets for certain machinery equipment of advanced manufacturing, 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 mainly range from one to ten years. Finance lease receivables are secured over the assets leased. The Group is not permitted to sell or repledge the collateral in the absence of default by leasee.

As at December 31, 2021, the Group's finance lease receivables pledged as collateral for the Group's bank and other financial institutions borrowings amounted to RMB1,137,119 thousand (December 31, 2020: RMB3,588,312 thousand).

The floating interest rates of finance lease receivables were with reference to the Loan Prime Rate ("LPR") and were adjusted periodically with reference to the LPR.

Movements of loss allowance for finance lease receivables:

	Stage 1	Stage 2	Stage 3	
		Lifetime ECL not	Lifetime ECL	
	12-months ECL	credit-impaired	credit-impaired	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at December 31, 2020	707,113	429,307	381,349	1,517,769
Changes in the loss allowance:				
— Transfer to Stage 1	23,229	(18,103)	(5,126)	—
— Transfer to Stage 2	(30,787)	54,867	(24,080)	—
— Transfer to Stage 3	(48,631)	(243,684)	292,315	—
— Recovery of finance lease receivables previously written-off	—	—	72,589	72,589
— Write-offs	—	—	(643,965)	(643,965)
— Other derecognition	—	—	(445,066)	(445,066)
— (Reverse)/charge for the year	(127,072)	274,539	915,415	1,062,882
As at December 31, 2021	523,852	496,926	543,431	1,564,209

20. FINANCE LEASE RECEIVABLES (CONTINUED)

	Stage 1 12-months ECL RMB'000	Stage 2 Lifetime ECL not credit-impaired RMB'000	Stage 3 Lifetime ECL credit-impaired RMB'000	Total RMB'000
As at December 31, 2019	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)
— (Reverse)/charge for the year	(22,429)	220,206	1,068,442	1,266,219
As at December 31, 2020	707,113	429,307	381,349	1,517,769

Analysis of present value of minimum finance lease receivables:

	Stage 1 **12-months ECL** **RMB'000**	**Stage 2** **Lifetime ECL not credit-impaired** **RMB'000**	**Stage 3** **Lifetime ECL credit-impaired** **RMB'000**	**Total** **RMB'000**
As at December 31, 2021	**32,415,838**	**1,647,131**	**973,827**	**35,036,796**
As at December 31, 2020	46,916,654	2,177,676	834,842	49,929,172

In 2021, the amount of the Group's finance lease receivables at stage 1 decreased, and the amount of the loss allowances of this stage decreased accordingly. The increase in the amount of the Group's finance lease receivables at stage 3 was mainly due to the transfer from stage 2, and the amount of loss allowances in stage 3 increased.

21. RECEIVABLES ARISING FROM SALE AND LEASEBACK ARRANGEMENTS

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

	2021/12/31 RMB'000	2020/12/31 RMB'000
— Within one year	26,278,930	16,834,046
— In the second year	18,371,251	11,662,335
— In the third year	10,718,660	6,632,982
— In the fourth year	3,873,796	3,127,211
— In the fifth year	1,991,889	1,009,281
— After five years	158,862	43,031
Gross amount of receivables arising from sale and leaseback arrangements	61,393,388	39,308,886
Less: Interest adjustment	(5,535,329)	(3,617,226)
Present value of receivables arising from sale and leaseback arrangements	55,858,059	35,691,660
Less: Loss allowance	(770,036)	(477,184)
Carrying amount of receivables arising from sale and leaseback arrangements	55,088,023	35,214,476
Present value of receivables arising from sale and leaseback arrangements:		
— Within one year	23,910,557	15,285,831
— In the second year	16,714,899	10,589,223
— In the third year	9,751,609	6,022,041
— In the fourth year	3,524,290	2,839,184
— In the fifth year	1,812,175	916,313
— After five years	144,529	39,068
Total	55,858,059	35,691,660
Analysed as:		
Current	23,566,177	15,082,174
Non-current	31,521,846	20,132,302
Total	55,088,023	35,214,476

As at December 31, 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 RMB8,024,083 thousand (December 31, 2020: RMB9,757,835 thousand).

Receivables arising from sale and leaseback arrangements are secured over the assets leases. The Group is not permitted to sell or repledge the collateral in the absence of default by leasee.

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

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

	Stage 1 12-months ECL RMB'000	Stage 2 Lifetime ECL not credit-impaired RMB'000	Stage 3 Lifetime ECL credit-impaired RMB'000	Total RMB'000
As at December 31, 2020	455,567	11,128	10,489	477,184
Changes in the loss allowance:				
— Transfer to Stage 1	53	—	(53)	—
— Transfer to Stage 2	(6,687)	6,687	—	—
— Transfer to Stage 3	(605)	(7,037)	7,642	—
— Recovery of receivables arising from sale and leaseback arrangements previously written-off	—	—	2,543	2,543
— Other derecognition	—	—	(7,989)	(7,989)
— Write-offs	—	—	(17,311)	(17,311)
— Charge for the year	251,389	31,196	33,024	315,609
As at December 31, 2021	699,717	41,974	28,345	770,036

	Stage 1 12-months ECL RMB'000	Stage 2 Lifetime ECL not credit-impaired RMB'000	Stage 3 Lifetime ECL credit-impaired RMB'000	Total RMB'000
As at December 31, 2019	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 for the year	217,916	2,193	11,588	231,697
As at December 31, 2020	455,567	11,128	10,489	477,184

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

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

	Stage 1 12-months ECL 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, 2021	**55,618,393**	**179,113**	**60,553**	**55,858,059**
As at December 31, 2020	35,612,607	57,604	21,449	35,691,660

In 2021, the amount of the Group's receivables arising from sale and leaseback arrangements at stage 1 increased, and the amount of the loss allowances of this stage increased accordingly.

22. LOANS AND RECEIVABLES

	2021/12/31 RMB'000	2020/12/31 RMB'000
Factoring receivables	**6,030,532**	7,480,392
Entrusted loans and other loans	**717,636**	793,929
Sub-total	**6,748,168**	8,274,321
Less: Loss allowance for factoring receivables	**(214,197)**	(522,613)
Loss allowance for entrusted loans and other loans	**(152,045)**	(121,618)
Total	**6,381,926**	7,630,090
Analysed as:		
Current	**5,806,749**	6,380,913
Non-current	**575,177**	1,249,177
Total	**6,381,926**	7,630,090

22. LOANS AND RECEIVABLES (CONTINUED)

22a. The table below illustrates the gross and net amounts of factoring receivables:

	2021/12/31 RMB'000	2020/12/31 RMB'000
Within one year	**6,060,624**	6,973,570
More than one year but not exceeding five years	**442,283**	1,148,934
More than five years	**61,183**	75,789
Gross amount of factoring receivables	**6,564,090**	8,198,293
Less: Interest adjustment	**(533,558)**	(717,901)
Present value of factoring receivables	**6,030,532**	7,480,392
Less: Loss allowance	**(214,197)**	(522,613)
Carrying amount of factoring receivables	**5,816,335**	6,957,779
Present value of factoring receivables:		
— Within one year	**5,567,990**	6,361,611
— More than one year but not exceeding five years	**406,290**	1,049,657
— More than five years	**56,252**	69,124
Total	**6,030,532**	7,480,392

22b. The table below illustrates the present value and net amounts of entrusted loans and other loans:

	2021/12/31 RMB'000	2020/12/31 RMB'000
Within one year	**579,600**	571,688
More than one year but not exceeding five years	**138,036**	222,154
More than five years	**—**	87
Present value of entrusted loans and other loans	**717,636**	793,929
Less: Loss allowance	**(152,045)**	(121,618)
Carrying amount of entrusted loans and other loans	**565,591**	672,311

22. LOANS AND RECEIVABLES (CONTINUED)

22c. Movements of loss allowance for loans and receivables:

	Stage 1 12-months ECL RMB'000	Stage 2 Lifetime ECL not credit-impaired RMB'000	Stage 3 Lifetime ECL credit-impaired RMB'000	Total RMB'000
As at December 31, 2020	133,668	386,655	123,908	644,231
Changes in the loss allowance:				
— Transfer to Stage 2	(10,205)	10,205	—	—
— Transfer to Stage 3	(8,033)	(213,201)	221,234	—
— Recovery of loans and receivables previously derecognised	—	—	1,344	1,344
— Other derecognition	—	—	(592,429)	(592,429)
— (Reverse)/charge for the year	(4,359)	65,930	251,813	313,384
— Exchange differences	(288)	—	—	(288)
As at December 31, 2021	110,783	249,589	5,870	366,242

	Stage 1 12-months ECL RMB'000	Stage 2 Lifetime ECL not credit-impaired RMB'000	Stage 3 Lifetime ECL credit-impaired RMB'000	Total RMB'000
As at December 31, 2019	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 for the year	19,473	92,646	287,945	400,064
— Exchange differences	(690)	—	—	(690)
As at December 31, 2020	133,668	386,655	123,908	644,231

22. LOANS AND RECEIVABLES (CONTINUED)

22d. Analysis of loans and receivables balances:

	Stage 1 12-months ECL RMB'000	Stage 2 Lifetime ECL not credit-impaired RMB'000	Stage 3 Lifetime ECL credit-impaired RMB'000	Total RMB'000
As at December 31, 2021	**5,803,806**	**935,291**	**9,071**	**6,748,168**
As at December 31, 2020	6,799,362	1,296,918	178,041	8,274,321

23. DEFERRED TAXATION

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

	2021/12/31 RMB'000	2020/12/31 RMB'000
Deferred tax assets	**1,578,035**	1,540,986
Deferred tax liabilities	**(16,297)**	(18,295)
	1,561,738	1,522,691

23. DEFERRED TAXATION (CONTINUED)

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

	Loss allowance RMB'000	Changes in fair value of derivatives RMB'000	Changes in fair value of financial assets at fair value through profit or loss RMB'000	Deductible tax losses RMB'000	Accelerated depreciation RMB'000	Other RMB'000	Total RMB'000
As at December 31, 2019	1,003,084	572	(5,017)	43,241	(46,413)	666	996,133
Credit/(charge) to profit or loss	431,474	153	(2,238)	19,502	(18,763)	14,602	444,730
Charge to other comprehensive income	—	(199)	—	—	—	—	(199)
Acquired through acquisition of a subsidiary	81,978	—	—	—	—	—	81,978
Exchange differences	(9)	(106)	—	(3,900)	4,111	(47)	49
As at December 31, 2020	1,516,527	420	(7,255)	58,843	(61,065)	15,221	1,522,691
Credit/(charge) to profit or loss	33,315	(110)	(8,923)	6,476	9,302	3,170	43,230
Charge to other comprehensive income	—	(4,036)	—	—	—	—	(4,036)
Exchange differences	(54)	(20)	—	(1,609)	1,574	(38)	(147)
As at December 31, 2021	1,549,788	(3,746)	(16,178)	63,710	(50,189)	18,353	1,561,738

The Group did not have significant unrecognised deferred tax assets as at December 31, 2021 (December 31, 2020: NIL).

24. OTHER ASSETS

Non-current

	2021/12/31 RMB'000	2020/12/31 RMB'000
Long-term receivables from government cooperation projects (note)	891,972	463,302
Financial assets measured at amortised cost	435,744	62,132
Assets with continuing involvement	274,115	60,338
Repossession of finance lease assets	254,186	191,151
Foreclosed assets	250,798	83,384
Other long-term receivables	74,276	31,236
Deposits	10,005	20,805
Prepayments on acquisition of property and equipment and intangible assets	786	5,991
Other	63,187	45,273
Sub-total	2,255,069	963,612
Less: Loss allowance	(53,049)	(19,069)
Total	2,202,020	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 project 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 33.

24. OTHER ASSETS (CONTINUED)

Current

	2021/12/31 RMB'000	2020/12/31 RMB'000
Properties under development	**591,921**	290,079
Financial assets measured at amortised cost	**263,483**	—
Value added tax ("VAT") credit and other	**255,710**	297,578
Long-term receivables	**209,968**	4,847
Prepayments	**51,479**	81,782
Assets with continuing involvement	**36,588**	—
Deposits	**11,349**	11,909
Completed properties for sale	**—**	230,175
Other	**80,352**	35,953
Sub-total	**1,500,850**	952,323
Less: Loss allowance	**(3,562)**	(58)
Total	**1,497,288**	952,265

Movement of loss allowance for other assets are as follows:

	2021/12/31 RMB'000	2020/12/31 RMB'000
At beginning of the year	**19,127**	8,002
Charged to profit or loss (note)	**52,477**	16,166
Derecognition	**(14,993)**	(5,041)
At end of the year	**56,611**	19,127

note: The loss allowance for other assets charged for the year ended December 31, 2021 included impairment losses under expected credit loss model amounting to RMB13,778 thousand (refer to Note 12) (2020: RMB5,599 thousand) and other impairment losses amounting to RMB38,699 thousand (2020: RMB10,567 thousand).

25. ACCOUNTS RECEIVABLE

	2021/12/31 RMB'000	2020/12/31 RMB'000
Accounts receivable from:		
— settlement of finance lease receivable	28,605	37,142
— operating lease	57,563	30,085
— other	—	4,016
Sub-total	86,168	71,243
Less: Loss allowance	(37,453)	(34,330)
Total	48,715	36,913

Analysed by aging as:

	2021/12/31 RMB'000	2020/12/31 RMB'000
Within one year	48,715	36,913
Total	48,715	36,913

Movement of loss allowance for accounts receivable are as follows:

	2021/12/31 RMB'000	2020/12/31 RMB'000
At beginning of the year	34,330	15,137
Charged to profit or loss	7,349	19,208
Write-offs	(4,016)	—
Exchange differences	(210)	(15)
At end of the year	37,453	34,330

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021/12/31 RMB'000	2020/12/31 RMB'000
Measured at fair value:		
Funds (note)	**384,327**	260,841
Wealth management products	**800,063**	30,006
Equity instruments	**529,485**	447,810
Asset management schemes and trust plans	**410,513**	160,543
Total	**2,124,388**	899,200
Analysed as:		
Unlisted	**1,701,942**	517,311
Listed	**422,446**	381,889
Analysed as:		
Current	**1,996,289**	572,915
Non-current	**128,099**	326,285
Total	**2,124,388**	899,200

note: As at December 31, 2021, funds amounting to RMB100,101 thousand were managed by HFT Investment Management Co., Ltd. (December 31, 2020: RMB100,000 thousand). For the year ended December 31, 2021, net gains from the above funds amounted to RMB534 thousand (2020: RMB2,490 thousand).

27. DERIVATIVE FINANCIAL INSTRUMENTS

	2021/12/31		
	Nominal Amount RMB'000	Assets RMB'000	Liabilities RMB'000
Derivatives under hedge accounting:			
Interest rate swaps ("IRS")	**2,594,286**	**11,079**	**(67,973)**
Currency forwards	**820,273**	**—**	**(74,157)**
Cross currency interest rate swaps	**2,080,552**	**—**	**(88,985)**
Derivatives held for trading:			
Interest rate swaps	**169,000**	**—**	**(132)**
Total	**5,664,111**	**11,079**	**(231,247)**

	2020/12/31		
	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 December 31, 2021, fixed interest rates for USD IRS ranged from 1.3700% to 4.3650% (December 31, 2020: from 1.3700% to 4.3650%), fixed interest rates for RMB IRS was 4.4500% (December 31, 2020: N/A).

As at December 31, 2021, currency forwards with forward exchange rates of buying USD and selling RMB ranged from 6.5667 to 7.3891 (December 31, 2020: from 6.7910 to 7.3891).

As at December 31, 2021, cross currency interest rate swaps with fixed interest rates for USD IRS ranged from 3.1300% to 3.7400% (December 31, 2020: from 2.5600% to 4.2300%) and with forward exchange rates of buying USD and selling RMB ranged from 6.3924 to 7.0980 (December 31, 2020: from 6.5830 to 7.1839), for HKD IRS ranged from 4.1500% to 4.3500% (December 31, 2020: N/A) and with forward exchange rates of buying HKD and selling RMB ranged from 0.8215 to 0.8350 (December 31, 2020: N/A).

27. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Cash flow hedge

During the year ended December 31, 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 year ended December 31, 2021, the Group's net gains from the cash flow hedge of RMB94,909 thousand was recognised in other comprehensive income(year ended December 31, 2020: net loss of RMB74,695 thousand).

28. CASH AND BANK BALANCES

	2021/12/31 RMB'000	2020/12/31 RMB'000
Restricted bank deposits (note i)	656,793	606,032
Cash and bank balances (note ii)	6,081,815	4,570,959
Less: Loss allowance	(37)	(23)
Total	6,738,571	5,176,968

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

note ii: Cash and bank balances included time deposits with original maturity more than three months which amounted to RMB84,000 thousand as at December 31,2021. (December 31, 2020: nil).

29. BORROWINGS

	2021/12/31 RMB'000	2020/12/31 RMB'000
Bank borrowings	**41,029,448**	39,164,708
Borrowings from related parties	**1,039,239**	1,840,244
Other financial institutions borrowings	**1,534,878**	2,824,836
Lease liabilities	**125,852**	171,786
Total	**43,729,417**	44,001,574
Analysed as:		
Current	**25,584,189**	22,205,176
Non-current	**18,145,228**	21,796,398
Total	**43,729,417**	44,001,574

29a. Bank borrowings

	2021/12/31 RMB'000	2020/12/31 RMB'000
Secured borrowings	**9,184,524**	13,321,097
Unsecured and unguaranteed borrowings	**31,844,924**	25,843,611
Total	**41,029,448**	39,164,708
Analysed as:		
Current	**23,121,516**	20,255,373
Non-current	**17,907,932**	18,909,335
Total	**41,029,448**	39,164,708

29. BORROWINGS (CONTINUED)

29a. Bank borrowings (continued)

	2021/12/31 RMB'000	2020/12/31 RMB'000
Carrying amount repayable:		
Within one year	**23,121,516**	20,255,373
More than one year but not exceeding two years	**10,480,106**	10,370,930
More than two years but not exceeding five years	**6,846,556**	7,948,646
More than five years	**581,270**	589,759
Total	**41,029,448**	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 and the Company's equity interests in subsidiaries. Refer to Notes 16, 20, 21 and 28 for details.

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

	2021/12/31	2020/12/31
Contractual interest rate:		
Fixed-rate borrowings	**3.5% to 5.45%**	2.3375% to 5.45%
Floating-rate borrowings	**LPR Plus -1.25% to 1.47%** **London Inter Bank Offered Rate ("LIBOR") Plus 0.92% to 1.8%** **Hong Kong Inter Bank Offered Rate ("HIBOR") Plus 0.5% to 0.71%**	LPR Plus -1.25% to 1.47% LIBOR Plus 0.92% to 1.55% The People's Bank Of China ("PBOC") lending Rate *100% to 112%

29. BORROWINGS (CONTINUED)

29b. Borrowings from related parties

	2021/12/31 RMB'000	2020/12/31 RMB'000
Carrying amount repayable:		
Within one year	1,039,239	776,686
More than one year but not exceeding five years	–	1,063,558
Total	1,039,239	1,840,244

As at December 31, 2021 and 2020, the borrowings from related parties were all unsecured, and the effective interest rate per annum of the Group ranged from 3.5% to 4.0% and from 2.7% to 4.5%, respectively.

29c. Other financial institutions borrowings

	2021/12/31 RMB'000	2020/12/31 RMB'000
Secured borrowings	537,377	1,325,336
Unsecured and unguaranteed borrowings	997,501	1,499,500
Total	1,534,878	2,824,836
Analysed as:		
Current	1,364,008	1,111,667
Non-current	170,870	1,713,169
Total	1,534,878	2,824,836

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

29. BORROWINGS (CONTINUED)

29c. Other financial institutions borrowings (continued)

	2021/12/31 RMB'000	2020/12/31 RMB'000
Carrying amount repayable:		
Within one year	**1,364,008**	1,111,667
More than one year but not exceeding two years	**153,156**	1,713,169
More than two years but not exceeding five years	**17,714**	—
Total	**1,534,878**	2,824,836

As at December 31, 2021 and 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.

29d. Lease liabilities

	2021/12/31 RMB'000	2020/12/31 RMB'000
Carrying amount repayable:		
Within one year	**59,426**	61,450
More than one year but not exceeding two years	**47,168**	52,842
More than two years but not exceeding five years	**19,258**	57,494
Total	**125,852**	171,786
Amount due for settlement within 12 months shown under current liabilities	**59,426**	61,450
Amount due for settlement after 12 months shown under non-current liabilities	**66,426**	110,336

As at December 31, 2021 and 2020, the weighted average incremental borrowing rates applied to lease liabilities ranged from 4.65% to 4.90% and from 4.65% to 4.90%, respectively.

30. ACCRUED STAFF COSTS

	2021/12/31 RMB'000	2020/12/31 RMB'000
Salaries, bonus and allowances and other	**286,166**	217,571
Total	**286,166**	217,571

31. ACCOUNTS PAYABLE

	2021/12/31 RMB'000	2020/12/31 RMB'000
Payable for acquisition of leasing equipment and other	**34,552**	30,118
Analysed by aging as:		
Within 60 days	**25,247**	6,947
More than 60 days	**9,305**	23,171
Total	**34,552**	30,118

32. BONDS PAYABLE

	2021/12/31 RMB'000	2020/12/31 RMB'000
Analysed as:		
Current	**22,989,474**	18,408,850
Non-current	**14,865,356**	13,951,119
Total	**37,854,830**	32,359,969

32. BONDS PAYABLE (CONTINUED)

32a. Bonds payable analysed by nature

	2021/12/31 RMB'000	2020/12/31 RMB'000
Ultra-short-term commercial papers (note i)	5,997,827	4,998,405
Asset-backed securities (note ii)	9,777,753	9,905,706
Fixed medium-term notes (note iii)	3,590,840	3,768,461
Corporate bonds (note iv)	11,062,600	7,865,712
Private placement notes (note v)	4,689,929	4,591,182
Asset-backed notes (note vi)	2,735,881	731,335
Short-term commercial papers	—	499,168
Total	37,854,830	32,359,969

notes:

(i): Ultra-short-term commercial papers

Issue Date	Outstanding principal amount RMB'million	Coupon rate	Term
April 29, 2021	1,000	3.35%	9 months
May 19, 2021	1,000	3.25%	8 months
May 21, 2021	500	3.30%	9 months
August 5, 2021	1,000	2.97%	9 months
August 20, 2021	500	2.83%	7 months
October 12, 2021	1,000	2.85%	5 months
November 23, 2021	1,000	2.85%	5 months

32. BONDS PAYABLE (CONTINUED)

32a. Bonds payable analysed by nature (continued)

notes: (continued)

(ii): Asset-backed securities

Issue Date	Outstanding principal amount RMB'million	Coupon rate[i]	Term
December 24, 2019	Senior: 63; Junior: 50	Senior: 4.60%	Senior: 33 months; Junior: 36 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: 131; Junior: 50	Senior: 3.40%	Senior: 34 months; Junior: 34 months
May 28, 2020	Senior: 203; Junior: 46	Senior: 2.84% and 3.40%	Senior: 26 months; Junior: 26 months
June 17, 2020	Senior: 249; Junior: 50	Senior: 3.60% and 3.70%	Senior: 33 months; Junior: 36 months
June 19, 2020	Senior: 27; Junior: 50	Senior: 3.80%	Senior: 20 months; Junior: 41 months
July 28, 2020	Senior: 281; Junior: 50	Senior: 3.85% and 4.10%	Senior: 35 months; Junior: 35 months
August 11, 2020	Senior: 152; Junior: 50	Senior: 3.68% and 3.99%	Senior: 21 months; Junior: 49 months
September 9, 2020	Senior: 319; Junior: 50	Senior: 4.00% and 4.20%	Senior: 32 months; Junior: 35 months
October 22, 2020	Senior: 313; Junior: 50	Senior: 4.00% and 4.30%	Senior: 33 months; Junior: 33 months
November 24, 2020	Senior: 239; Junior: 50	Senior: 4.15% and 4.30%	Senior: 21 months; Junior: 33 months
December 9, 2020	Senior: 418; Junior: 50	Senior: 4.24% and 4.30%	Senior: 32 months; Junior: 36 months
February 2, 2021	Senior: 433; Junior: 50	Senior: 3.80% and 4.55%	Senior: 30 months; Junior: 33 months
March 25, 2021	Senior: 502; Junior: 50	Senior: 3.58%, 4.00% and 4.50%	Senior: 29 months; Junior: 36 months
March 31, 2021	Senior: 389; Junior: 50	Senior: 3.70%, 4.00% and 4.40%	Senior: 19 months; Junior: 34 months
April 29, 2021	Senior: 518; Junior: 50	Senior: 3.60%, 4.00% and 4.50%	Senior: 28 months; Junior: 34 months
May 31, 2021	Senior: 609; Junior: 50	Senior: 3.59%, 3.85% and 4.35%	Senior: 19 months; Junior: 55 months
June 17, 2021	Senior: 589; Junior: 50	Senior: 3.45%, 3.80% and 4.40%	Senior: 26 months; Junior: 35 months
August 5, 2021	Senior: 600; Junior: 50	Senior: 3.30%, 3.50% and 4.20%	Senior: 26 months; Junior: 35 months
September 24, 2021	Senior: 950; Junior: 50	Senior: 3.17%, 3.83% and 3.99%	Senior: 20 months; Junior: 44 months
November 19, 2021	Senior: 950; Junior: 50	Senior: 3.50%, 3.80% and 3.95%	Senior: 22 months; Junior: 57 months
December 8, 2021	Senior: 950; Junior: 50	Senior: 3.35%, 3.78% and 4.00%	Senior: 21 months; Junior: 33 months
December 29, 2021	Senior: 760; Junior: 50	Senior: 3.60%, 3.80% and 3.95%	Senior: 20 months; Junior: 33 months

32. BONDS PAYABLE (CONTINUED)

32a. Bonds payable analysed by nature (continued)

notes: (continued)

(iii): Fixed medium-term notes

Issue Date	Outstanding principal amount	Coupon rate	Term
	RMB'million		
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
December 7, 2021	1,000	3.70%	3 years

Issue Date	Outstanding principal amount	Coupon rate	Term
	USD'million		
May 28, 2021	100	3.00%	3 years

(iv): Corporate bonds

Issue Date	Outstanding principal amount	Coupon rate	Term
	RMB'million		
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)
August 10, 2021	600	3.90%	3 years
October 21, 2021	1,000	3.80%	2 years
December 22, 2021	1,000	3.70%	3 years

(v): Private placement notes

Issue Date	Outstanding principal amount	Coupon rate	Term
	RMB'million		
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
November 9, 2021	1,000	4.19%	3 years

32. BONDS PAYABLE (CONTINUED)

32a. Bonds payable analysed by nature (continued)

notes: (continued)

(vi): Asset-backed notes

Issue Date	Outstanding principal amount RMB'million	Coupon rate[i]	Term
March 23, 2020	Senior: 118; Junior: 50	Senior: 4.10%	Senior: 32 months; Junior: 57 months
August 12, 2021	Senior: 370; Junior: 50	Senior: 3.06%, 3.40% and 4.00%	Senior: 20 months; Junior: 29 months
August 16, 2021	Senior: 341; Junior: 50	Senior: 3.16% and 3.50%	Senior: 13 months; Junior: 28 months
November 16, 2021	Senior: 970; Junior: 30	Senior: 3.25%	Senior: 6 months; Junior: 6 months
November 25, 2021	Senior: 950; Junior: 50	Senior: 3.70% and 3.95%	Senior: 18 months; Junior: 57 months

(i) Certain senior tranches have sub-tranches with each one having a different coupon rate.

33. OTHER LIABILITIES

Current

	2021/12/31 RMB'000	2020/12/31 RMB'000
Deposits due within one year	3,750,062	3,596,917
Deferred revenue	82,619	81,061
Interest payable	632,648	663,750
Bank acceptance bill	1,880,881	1,192,280
Advance receipt	27,201	13,560
Other taxes payable	70,990	9,866
Accrued expenses	193,793	147,677
Government cooperation project payables (Note 24)	295,401	230,483
Government outsourcing project payables	63,220	52,712
Liabilities with continuing involvement	36,588	—
Contract liabilities	100,000	204,020
Other payables	559,559	284,675
Amounts due to related parties	—	33
Total	7,692,962	6,477,034

Non-current

	2021/12/31 RMB'000	2020/12/31 RMB'000
Deposits from customers	5,207,591	6,912,746
Deferred revenue	435,446	592,924
Deposits from suppliers and agents	93,140	76,167
Aircraft maintenance funds	225,637	298,563
Liabilities with continuing involvement	274,115	60,338
Other payables	296,516	218,564
Total	6,532,445	8,159,302

34. SHARE CAPITAL

	2021/12/31 Number of shares (thousand)	2021/12/31 Nominal Value (RMB'000)	2020/12/31 Number of shares (thousand)	2020/12/31 Nominal Value (RMB'000)
Issued and fully paid:				
— Domestic shares of RMB1 Yuan each	**2,440,847**	**2,440,847**	2,440,847	2,440,847
— H shares of RMB1 Yuan each	**5,794,453**	**5,794,453**	5,794,453	5,794,453
Total	**8,235,300**	**8,235,300**	8,235,300	8,235,300

The Company had two classes of ordinary shares, namely H Shares and Domestic Shares. All the Domestic Shares and H Shares rank pari passu with each other as to dividends and voting rights.

35. OTHER EQUITY INSTRUMENTS

(i) As at February 26, 2021 and September 8, 2021, the Company issued renewable corporate bonds with principal amounts of RMB1,500,000 thousand and RMB530,000 thousand, the value dates were on March 1, 2021 and September 10, 2021.

The above financial instruments have no fixed maturity date and the Company has the right to 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 times the interests deferred which are 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; or
- to decrease registered capital

(ii) As at December 30, 2021, the Company issued a renewable trust plan with principal amount of RMB300,000 thousand and value date on December 31, 2021.

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

35. OTHER EQUITY INSTRUMENTS (CONTINUED)

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 times the interests deferred which are 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 6 months before the interest payment date:

- to decrease registered capital or return the capital contribution of shareholders in cash or other forms or invest in other forms; or
- to declare and pay dividend to ordinary shareholders

(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 corporate bonds and renewable trust plan were 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.

(v) On December 17, 2021, the Company redeemed the renewable trust plan issued at December 14, 2020 with principal amount of RMB286,500 thousand.

(vi) During the year ended December 31, 2021, profit attributable to the holders of other equity instruments of the Group amounting to RMB90,934 thousand (2020: RMB50,221 thousand), are determined with reference to the distribution rate specified in the terms and conditions.

(vii) During the year ended December 31, 2021, the Company has made distribution to the holders of other equity instruments of the Group amounting to RMB64,736 thousand (2020: RMB50,211 thousand).

36. RESERVES

(1) Capital reserve

The movements of the capital reserve of the Group are as follows:

	Beginning of the year RMB'000	Reduction RMB'000	End of the year RMB'000
2021			
Capital premium	**2,457,876**	**—**	**2,457,876**
Other capital reserve	**39,589**	**(4,503)**	**35,086**
Total	**2,497,465**	**(4,503)**	**2,492,962**
2020			
Capital premium	2,457,876	—	2,457,876
Other capital reserve	39,589	—	39,589
Total	2,497,465	—	2,497,465

36. RESERVES (CONTINUED)

(2) Surplus reserve

The surplus reserve is the statutory surplus reserve.

Pursuant to the Company Law of the PRC, 10% of the net profit of the Company, as determined under the relevant accounting rules in the PRC, is required to be transferred to the statutory surplus reserve until this reserve reaches 50% of the share capital of the Company. The reserve appropriated can be used for offsetting accumulated losses, expansion of business and capitalisation, in accordance with the Company's articles of association or as approved under proper authorisation.

	Beginning of the year RMB'000	Addition RMB'000	End of the year RMB'000
2021			
Statutory reserve	**409,181**	**176,079**	**585,260**
2020			
Statutory reserve	314,999	94,182	409,181

(3) Hedging reserve

The movements of the hedging reserve of the Group are as follows:

	Beginning of the year RMB'000	Addition/ (Reduction) RMB'000	End of the year RMB'000
2021			
Hedging reserve	**(72,193)**	**94,909**	**22,716**
2020			
Hedging reserve	2,502	(74,695)	(72,193)

The hedging reserve represents the cumulative effective portion of gains and losses arising on changes in fair value of hedging instruments entered into for cash flow hedges.

36. RESERVES (CONTINUED)

(4) Translation reserve

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group at the exchange rate prevailing at the end of each reporting period, and the income and expenses are translated at the average exchange rates for the period or exchange rates similar with the spot exchange rate on the date of the transaction. Exchanges differences arising, if any, are recognised in other comprehensive income and accumulated in the translation reserve.

37. INTERESTS IN STRUCTURED ENTITIES

(1) Interest in consolidated structured entities

The Group holds interests in certain structured entities through investments in the securities or notes issued by these structured entities. The assets of these structured entities mainly include asset-backed securities, asset-backed notes and trust plans. When assessing whether to consolidate these structured entities, the Group reviews all facts and circumstances to determine whether the Group, as manager, is acting as an agent or a principal. The factors considered include the scope of the manager's decision-making authority, rights held by other parties, remuneration to which it is entitled and exposure to variability of returns. The Group has determined that all of these structured entities were controlled by the Group and therefore consolidated when preparing the consolidated financial statements. Refer to Note 38 for details.

(2) Interest in unconsolidated structured entities

The Group has interests in structured entities managed by third parties through investing in funds, wealth management products, asset management schemes and trust plans.

The carrying amount and maximum risk exposure of the unconsolidated structured entities amounted to RMB1,595 million and RMB451 million as of December 31, 2021 and 2020, respectively. As at December 31, 2021 and 2020, total fair value gains from these structured entities amounted to RMB19,263 thousand and RMB9,633 thousand respectively. These amounts are included in the items presented in Notes 6 and 26.

38. TRANSFER OF FINANCIAL ASSETS

Asset-backed securities

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

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

As at December 31, 2021, the carrying amount of finance lease receivables and receivables arising from sale and leaseback arrangements that have been transferred but not derecognised was RMB9,338 million (December 31, 2020: RMB10,467 million).

As at December 31, 2021, the related carrying amount of bonds payable was RMB9,778 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 consolidated statement of financial positions to the extent of the Group's continuing involvement.

As at December 31, 2021, the carrying amount of finance lease receivables, receivables arising from sale and leaseback arrangements that have been securitised by the Group under arrangements in which the Group retained a continuing involvement in such assets was RMB1,857 million (December 31, 2020: RMB451 million).

As at December 31, 2021, the carrying amount of assets that the Group continued to recognise was RMB274 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 receivables arising from sale and leaseback arrangements and factoring receivables to structured entities which issue asset-backed notes in China Inter-bank market to investors. As the Group holds all the junior tranches asset-backed notes, substantially all the risks and rewards of ownership of the transferred assets are retained, so the Group continues to recognise the transferred asset in its entirety and recognises bonds payable for the consideration received.

38. TRANSFER OF FINANCIAL ASSETS (CONTINUED)

Asset-backed notes (continued)

As at December 31, 2021, the carrying amount of finance lease receivables, receivables arising from sale and leaseback arrangements and factoring receivables that have been transferred but not derecognised was RMB2,276 million (December 31, 2020: RMB1,077 million).

As at December 31, 2021, the related carrying amount of bonds payable was RMB2,736 million (December 31, 2020: RMB731 million).

Trust plans

The Group has transferred certain factoring receivables in the normal course of business to the trust company, and the trust company will set up trust plan asset and issue trust plan.

The Group retains some interests in the form of holding some junior tranches which would give rise to the Group's continuing involvement in the transferred assets. Those financial assets are recognised on the consolidated statement of financial position to the extent of the Group's continuing involvement.

As at December 31, 2021, the carrying amount of factoring receivables that have been derecognised by the Group under arrangements in which the Group retained a continuing involvement in such assets was RMB291 million (December 31, 2020: nil).

As at December 31, 2021, the carrying amount of assets that the Group continued to recognise was RMB37 million (December 31, 2020: nil). The Group recognised the same amount arising from such continuing involvement in other assets and other liabilities.

39. CASH AND CASH EQUIVALENTS

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

	2021/12/31 **RMB'000**	2020/12/31 RMB'000
Deposit in banks	**5,997,815**	4,570,959
Total	**5,997,815**	4,570,959

40. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities. Interest payments in relation to below liabilities are included in other liabilities and presented in operating cash flow.

	As at January 1, 2021 RMB'000	Financing cash flows RMB'000	Dividends distributed RMB'000	Foreign exchange losses RMB'000	Other changes RMB'000	As at December 31, 2021 RMB'000
Bank borrowings	39,164,708	1,982,059	—	(152,028)	34,709	41,029,448
Borrowings from related parties	1,840,244	(765,308)	—	(35,697)	—	1,039,239
Borrowings from other financial institutions	2,824,836	(1,291,300)	—	—	1,342	1,534,878
Bonds payable	32,359,969	5,369,285	—	(8,440)	134,016	37,854,830
Dividends payable	—	(518,824)	518,824	—	—	—
Distribution of other equity instruments	—	(64,736)	64,736	—	—	—
Amounts due to related parties	33	—	—	—	(33)	—
Lease liabilities	171,786	(60,656)	—	—	14,722	125,852
Total	76,361,576	4,650,520	583,560	(196,165)	184,756	81,584,247

40. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES (CONTINUED)

	As at January 1, 2020 RMB'000	Financing cash flows RMB'000	Dividends distributed RMB'000	Foreign exchange losses RMB'000	Acquisition of a subsidiary RMB'000	Other changes RMB'000	As at December 31, 2020 RMB'000
Bank borrowings	34,416,672	5,306,119	—	(676,578)	29,912	88,583	39,164,708
Borrowings from related parties	1,161,537	—	—	(125,572)	—	804,279	1,840,244
Borrowings from other financial institutions	1,990,000	334,836	—	—	500,000	—	2,824,836
Bonds payable	31,446,942	757,904	—	—	—	155,123	32,359,969
Dividends payable	—	(675,295)	675,295	—	—	—	—
Distribution of other equity instruments	—	(50,211)	50,211	—	—	—	—
Amounts due to related parties	804,283	—	—	29	—	(804,279)	33
Lease liabilities	189,040	(63,994)	—	—	7,396	39,344	171,786
Total	70,008,474	5,609,359	725,506	(802,121)	537,308	283,050	76,361,576

41. OPERATING LEASES ARRANGEMENTS

The Group as lessor

Operating leases relate to the aircraft owned by the Group with lease terms of around 65 to 188 months. The lessees do not have an option to purchase the leased asset before the expiry of the lease period.

Minimum lease payments receivable on leases are as follows:

	2021/12/31 RMB'000	2020/12/31 RMB'000
Within one year	**492,032**	674,405
In the second year	**544,174**	598,230
In the third year	**499,753**	581,047
In the fourth year	**463,363**	517,691
In the fifth year	**427,709**	475,797
After five years	**1,069,383**	981,461
Total	**3,496,414**	3,828,631

42. CAPITAL COMMITMENTS

The Group had the following capital commitments at the end of the reporting period.

	2021/12/31 RMB'000	2020/12/31 RMB'000
Contracted, but not provided for:		
Construction agreements under PPP and government outsourcing projects	1,906,032	2,633,605
Property and equipment	–	590,503
Total	1,906,032	3,224,108

43. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

The emoluments of the Directors and Supervisors of the Company paid or payable by the Group for the year ended December 31, 2021 and 2020 are set out below:

For the year ended December 31, 2021

Name	Director fee RMB'000	Salary and allowances RMB'000	Employer's contribution to pension schemes RMB'000	Discretionary bonuses RMB'000	Total RMB'000
Executive Directors:					
Ding Xueqing	–	1,554	766	4,203	6,523
Zhou Jianli	–	1,407	585	2,935	4,927
Non-executive Directors:					
Ren Peng	–	–	–	–	–
Ha Erman	–	–	–	–	–
Li Chuan	–	–	–	–	–
Wu Shukun	–	–	–	–	–
Zhang Shaohua	–	–	–	–	–
Independent Non-executive Directors:					
Jiang Yulin	210	–	–	–	210
Yao Feng	210	–	–	–	210
Zeng Qingsheng	210	–	–	–	210
Wu Yat Wai	210	–	–	–	210
Yan Lixin	210	–	–	–	210
Supervisors:					
Zhou Tao	–	–	–	–	–
Zhao Yue(iv)	–	306	71	227	604
Chen Xinji	–	719	188	478	1,385
Hu Zhangming(v)	–	176	37	–	213
	1,050	4,162	1,647	7,843	14,702

43. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

For the year ended December 31, 2020

Name	Director fee RMB'000	Salary and allowances RMB'000	Employer's contribution to pension schemes RMB'000	Discretionary bonuses RMB'000	Total RMB'000
Executive Directors:					
Ding Xueqing	—	1,551	670	4,565	6,786
Zhou Jianli	—	1,373	500	3,181	5,054
Non-executive Directors:					
Ren Peng	—	—	—	—	—
Ha Erman	—	—	—	—	—
Li Chuan	—	—	—	—	—
Wu Shukun	—	—	—	—	—
Zhang Shaohua	—	—	—	—	—
Independent Non-executive Directors:					
Jiang Yulin	210	—	—	—	210
Yao Feng(i)	132	—	—	—	132
Zeng Qingsheng	210	—	—	—	210
Wu Yat Wai	210	—	—	—	210
Yan Lixin(ii)	132	—	—	—	132
Yo Shin(vi)	198	—	—	—	198
Supervisors:					
Wang Meijuan(vii)	—	—	—	—	—
Zhou Tao(iii)	—	—	—	—	—
Zhao Yue	—	473	43	206	722
Chen Xinji	—	675	130	455	1,260
	1,092	4,072	1,343	8,407	14,914

43. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Group, and the non-executive directors' and the independent non-executive directors' emoluments shown above were for their services as directors of the Company.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year and no emoluments were paid by the Group to any of the directors, supervisors or senior management as an inducement to join or upon joining the Group or as compensation for loss of office.

notes:

(i) Yao Feng was appointed as independent non-executive director in May 2020.

(ii) Yan Lixin was appointed as independent non-executive director in May 2020.

(iii) Zhou Tao was appointed as supervisor in May 2020.

(iv) Zhao Yue resigned from the position of supervisor in August 2021.

(v) Hu Zhangming was appointed as supervisor in August 2021.

(vi) Yo Shin resigned from the position of independent non-executive director in December 2020.

(vii) Wang Meijuan resigned from the position of supervisor in May 2020.

44. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid employees of the Group during the year included two directors (2020: two directors), details of whose remuneration are set out in Note 43 above. Details of the remuneration for the year of the remaining three (2020: three) highest paid employees who are not directors of the Company are as follows:

	2021 RMB'000	2020 RMB'000
Basic salaries and allowances	3,148	3,249
Bonuses	7,269	7,928
Employer's contribution to pension schemes	1,408	1,281
Total	11,825	12,458

Bonuses are discretionary with reference to the Group's and the individuals' performance. No emoluments have been paid to or receivable by these individuals as an inducement to join or upon joining the Group or as compensation for loss of office for the year ended December 31, 2021 and 2020.

The number of the highest paid employees who are not directors of the Company whose remuneration fell within the following bands is as follows:

	2021 No. of employees	2020 No. of employees
— HKD4,000,001–HKD4,500,000	—	1
— HKD4,500,001–HKD5,000,000	2	—
— HKD5,000,001–HKD5,500,000	1	2
Total	3	3

45. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

In addition to the subsidiaries of the Group set out in Note 50, the name and the relationship of the other related parties are set out below:

Name of the related party	Relationship of the related party
Haitong UT Capital Group Co., Limited	Parent Company
Haitong Securities Co., Ltd.	Ultimate Holding Company
HFT Investment Management Co., Ltd.	Fellow Subsidiary
Shanghai Haitong Securities Asset Management Co., Ltd.	Fellow Subsidiary
Shanghai HFT Fortune Asset Management Co., Ltd.	Fellow Subsidiary
Unican Limited	Fellow Subsidiary
Haitong International Securities Co., Ltd.	Fellow Subsidiary
Haitong Futures Co., Ltd.	Fellow Subsidiary
Shanghai Weitai Properties Management Co., Ltd.	Fellow Subsidiary
Gui'an UT Financial Leasing (Shanghai) Co., Ltd. ("Gui'an UT") (Note 19)	Joint Venture Company (Before business combination in September, 2020)

Other than as disclosed elsewhere in these consolidated financial statements, the Group had the following material transactions with the related parties for the years ended December 31, 2021 and 2020:

(1) Interest expenses

	2021 RMB'000	2020 RMB'000
Haitong UT Capital Group Co., Limited	**11,993**	36,436
Unican Limited	**39,204**	42,111

(2) Other income, gains or losses

	2021 RMB'000	2020 RMB'000
Gui'an UT Financial Leasing (Shanghai) Co., Ltd. (note)	**–**	42,146

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).

45. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(3) Other operating expenses

	2021 RMB'000	2020 RMB'000
Shanghai Weitai Properties Management Co., Ltd.	–	13,801

As at December 31, 2021 and 2020, the Group had the following material balances with the related parties:

(4) Cash and bank balances

	2021/12/31 RMB'000	2020/12/31 RMB'000
Haitong Securities Co., Ltd. (note)	7	–

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

(5) Borrowings

	2021/12/31 RMB'000	2020/12/31 RMB'000
Unican Limited	1,039,239	1,086,395
Haitong UT Capital Group Co., Limited	–	753,849

(6) Bonds payable

	2021/12/31 RMB'000	2020/12/31 RMB'000
Haitong Securities Co., Ltd. (note)	–	24,088

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

(7) Other liabilities

	2021/12/31 RMB'000	2020/12/31 RMB'000
Haitong UT Capital Group Co., Limited	–	34,427
Unican Limited	91,272	94,978

45. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(8) Other equity instrument

	2021/12/31 RMB'000	2020/12/31 RMB'000
Haitong Securities Co., Ltd. (note)	20,000	–

note: Other equity instrument investment represents Haitong Securities Co., Ltd. invested in the other equity instrument issued by the Company.

(9) Other related party transactions

(a) Key management personnel

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

	2021 RMB'000	2020 RMB'000
Basic salaries and allowances	6,109	6,173
Bonuses	14,407	15,674
Employer's contribution to pension schemes	2,759	2,451
Total	23,275	24,298

(b) Payment of referral service fees to related party

	2021 RMB'000	2020 RMB'000
Haitong Securities Co., Ltd.	2,919	4,211
Haitong Futures Co., Ltd.	333	11

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

45. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(9) Other related party transactions (continued)

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

	2021 RMB'000	2020 RMB'000
Haitong Securities Co., Ltd.	51,990	76,187
Shanghai HFT Fortune Asset Management Co., Ltd.	238	—
Shanghai Haitong Securities Asset Management Co., Ltd.	6,739	7,199
Haitong International Securities Co., Ltd.	454	—

note: These issuance costs relating to debt liabilities issued were recognised as a deduction from the proceeds received from the debt liabilities issued and amortised over the term of the debts as part of the effective interest expenses.

(d) Proceeds from disposal of land and building

	2021 RMB'000	2020 RMB'000
Haitong Securities Co., Ltd.	1,435,000	—

note: The Company entered into a purchase and sale agreement with Haitong Securities, pursuant to which the Company agreed to sell and Haitong Securities agreed to purchase a property from the Company at a total consideration of RMB1,435 million and the gains on disposal of the property amounted to RMB60,469 thousand was recognised in other income, gains and losses.

46. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY

	2021/12/31 RMB'000	2020/12/31 RMB'000
Non-current assets		
Property and equipment	180,652	1,467,874
Right-of-use assets	100,460	141,884
Intangible assets	14,536	14,221
Finance lease receivables	9,132,224	17,958,991
Receivables arising from sale and leaseback arrangements	30,870,168	19,510,714
Loans and receivables	743,452	1,166,088
Financial assets at fair value through profit or loss	62,790	260,364
Investments in subsidiaries	4,499,265	4,227,813
Deferred tax assets	1,472,341	1,426,858
Other assets	1,222,704	469,445
Total non-current assets	48,298,592	46,644,252

46. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY (CONTINUED)

	2021/12/31 RMB'000	2020/12/31 RMB'000
Current assets		
Finance lease receivables	20,600,926	26,315,277
Receivables arising from sale and leaseback arrangements	22,809,223	14,521,906
Loans and receivables	6,256,825	6,436,293
Other assets	1,705,597	760,432
Accounts receivable	799	9,292
Financial assets held under resale agreements	—	456,808
Financial assets at fair value through profit or loss	1,996,289	572,915
Derivative financial assets	4,575	—
Cash and bank balances	5,769,625	3,943,852
Total current assets	59,143,859	53,016,775
Total assets	107,442,451	99,661,027
Current liabilities		
Borrowings	23,523,526	20,324,046
Derivative financial liabilities	163,282	206,325
Accrued staff costs	244,436	147,886
Accounts payable	34,552	30,118
Bonds payable	22,891,389	18,408,850
Income tax payable	696,793	628,994
Other liabilities	6,979,589	5,700,622
Total current liabilities	54,533,567	45,446,841
Net current assets	4,610,292	7,569,934
Total assets less current liabilities	52,908,884	54,214,186

46. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY (CONTINUED)

	2021/12/31 RMB'000	2020/12/31 RMB'000
Equity		
Share capital	8,235,300	8,235,300
Other equity instruments	2,384,512	1,523,756
Reserves		
— Capital reserve	2,490,185	2,495,716
— Surplus reserve	585,260	409,181
— Hedging reserve	11,621	1,788
Retained profits	3,661,457	2,595,575
Total equity	17,368,335	15,261,316
Non-current liabilities		
Borrowings	15,227,272	17,410,549
Bonds payable	14,360,485	13,951,119
Other liabilities	5,952,792	7,591,202
Total non-current liabilities	35,540,549	38,952,870
Total equity and non-current liabilities	52,908,884	54,214,186

46. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY (CONTINUED)

	Share capital RMB'000	Other equity instruments RMB'000	Capital reserve RMB'000	Surplus reserve RMB'000	Hedging reserve RMB'000	Retained profits RMB'000	Total equity RMB'000
At December 31, 2020	8,235,300	1,523,756	2,495,716	409,181	1,788	2,595,575	15,261,316
Profit for the year	–	90,934	–	–	–	1,759,328	1,850,262
Other comprehensive income for the year	–	–	–	–	9,833	–	9,833
Total comprehensive income for the year	–	90,934	–	–	9,833	1,759,328	1,860,095
Issuance of other equity instruments	–	2,318,012	–	–	–	–	2,318,012
Redemption of other equity instruments	–	(1,481,997)	(4,503)	–	–	–	(1,486,500)
Appropriation to surplus reserve	–	–	–	176,079	–	(176,079)	–
Distribution of other equity instruments	–	(64,736)	–	–	–	–	(64,736)
Dividends recognised as distribution	–	–	–	–	–	(518,824)	(518,824)
Acquisition of a subsidiary	–	–	(1,028)	–	–	–	(1,028)
Other	–	(1,457)	–	–	–	1,457	–
At December 31, 2021	8,235,300	2,384,512	2,490,185	585,260	11,621	3,661,457	17,368,335
At December 31, 2019	8,235,300	1,237,212	2,495,716	314,999	(1,190)	2,423,231	14,705,268
Profit for the year	–	50,221	–	–	–	941,855	992,076
Other comprehensive income for the year	–	–	–	–	2,978	–	2,978
Total comprehensive income for the year	–	50,221	–	–	2,978	941,855	995,054
Issuance of other equity instruments	–	286,500	–	–	–	–	286,500
Appropriation to surplus reserve	–	–	–	94,182	–	(94,182)	–
Distribution of other equity instruments	–	(50,211)	–	–	–	–	(50,211)
Dividends recognised as distribution	–	–	–	–	–	(675,295)	(675,295)
Other	–	34	–	–	–	(34)	–
At December 31, 2020	8,235,300	1,523,756	2,495,716	409,181	1,788	2,595,575	15,261,316

47. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2021/12/31 RMB'000	2020/12/31 RMB'000
Financial assets		
Financial assets measured at amortised cost:		
Cash and bank balances	6,738,571	5,176,968
Receivables arising from sale and leaseback arrangements	55,088,023	35,214,476
Loans and receivables	6,381,926	7,630,090
Accounts receivable	48,715	36,913
Other financial assets	2,286,938	683,483
Financial assets at fair value through profit or loss:		
Financial assets at fair value through profit or loss	2,124,388	899,200
Derivative financial assets	11,079	—
Total	72,679,640	49,641,130

	2021/12/31 RMB'000	2020/12/31 RMB'000
Financial liabilities		
Financial liabilities measured at amortised cost:		
Borrowings	43,729,417	44,001,574
Accounts payable	34,552	30,118
Bonds payable	37,854,830	32,359,969
Other financial liabilities	13,805,436	14,168,171
Financial liabilities at fair value through profit or loss:		
Derivative financial liabilities	231,247	359,910
Total	95,655,482	90,919,742

48. FINANCIAL RISK MANAGEMENT

Overview of financial risk management

The Group's activities expose it to a variety of financial risks. The Group identifies, evaluates and manages risks. The Group's risk management objective is to achieve an appropriate balance between risk and return, and minimise potential adverse effects on the Group's financial performance.

The Group's risk management policies are designed to identify and analyse risks to set appropriate risk limits and control procedures, and to monitor the risks through appropriate control processes.

The board of directors of the Company establishes overall risk management strategy. The management establishes related risk management policies and procedures. Such risk policies and procedures are carried out by Risk Management Department, Credit Review & Approval Department, Commerce Department, Asset Management Department, Business Department, Compliance Department, Treasury Management Department, Finance Department and other relevant committees after the approval of the board of directors.

The major financial risks of the Group are credit risk, market risk and liquidity risk. Market risk includes foreign currency risk, interest rate risk and price risk.

Credit risk

Credit risk refers to the risk that a customer or counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group is exposed to credit risk in relation to its bank balances, finance lease receivables, receivables arising from sale and leaseback arrangements, factoring receivables, entrusted loans and other loans, accounts receivable, derivative financial assets and other financial assets. The Group's credit risk is primarily attributable to its finance lease receivables and receivables arising from sale and leaseback arrangements which is the risk of the lessees being unable to meet its contractual obligations.

The Group implemented standardised management procedures over the processes of target customers selection, the due diligence and application, credit review and approval, finance lease business disbursement, post-lending monitoring, management of non-performing receivables and other aspects. Through implementation of relevant credit risk management policies and procedures, the effective use of lease information system and optimisation of the portfolio of finance leases business, the Group is able to timely and effectively identify, monitor and manage its potential credit risks.

Changes in the economic environment will have an impact on the Group's finance lease business, and the adverse effects will increase the possibility of losses incurred by the Group. The Group's current major business operations are in Mainland China, but the differences of economic development in different regions require the Group to closely manage the relevant credit risks. The Business Department, Credit Review & Approval Department, Asset Management Department and Risk Management Department in charge of different industries and regions are responsible for the whole chain of management of the credit risks in this order, and periodically reporting on the quality of assets to the board of directors of the Company. The Group has established mechanisms to set credit risk limits for individual lessees and periodically monitor the above credit risk limits.

48. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

Risk limit management and mitigation measures

The Group manages, limits, and controls the concentration of credit risks and, as far as possible, avoids risks concentration on single lessee, industry or region.

The Group manages customer limits to optimise the credit risk structure. The Group performs pre-project analysis of the lessee's ability to repay principal and interest, real-time supervision of the lessee's actual repayment status during the project to manage credit risks.

Other specific management and mitigation measures include:

(a) ***Guarantee***

The Group has developed a series of policies to mitigate credit risk, including obtaining collateral/pledge, security deposit and guarantee from an enterprise or individual.

According to the characteristics of the finance lease and sale and leaseback transactions, the Group has the ownership of the asset under the lease during the lease term. In the event of default, the Group is entitled to terminate the contract and repossess the leased asset if the lessee fails to pay the rentals within a reasonable period after being notified.

In addition, the Group requests a third party guarantee or collateral from certain lessees, depending on the lessee's credit status and credit risk degree of the finance lease. The management evaluates the capability of the guarantor, the ownership and value of the mortgage and pledge and the feasibility of realising the mortgage and pledge.

(b) ***Insurance on the asset of the finance lease and sale and leaseback transactions***

For finance lease and sale and leaseback transactions, the ownership of the lease asset belongs to the Group before the expiry of the lease, but the risks and rewards in operational use and maintenance have been transferred to the lessee. Therefore, if any accidents occur to the asset, the lessee should immediately report the case to the insurance company and notify the Group, provide accident report with relevant documents and settle claims with the insurance company.

48. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

Group's exposure to credit risk

The Group considers all elements of credit risk exposure such as counterparty default risk and sector risk for risk management purposes. In addition to the credit risk limit management and other mitigation measures as described above, the Group monitors all financial assets that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime ECL rather than 12-month ECL.

In order to minimise credit risk, the Group has tasked to develop and maintain the Group's credit risk grading to categorise exposures according to their degree of risk of default. The credit grading information is based on a range of data that is determined to be predictive of the risk of default. The nature of the exposure and the type of counterparty are taken into account in the analysis. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default.

The internal credit risk grades are designed and calibrated to reflect the risk of default as credit quality deteriorates. As the credit risk increases, the difference in risk of default between grades changes. Each exposure is allocated with a credit risk grade at initial recognition, based on the available information about the counterparty. All exposures are monitored and the credit risk grade is updated to reflect current information. The Group uses credit risk grades as a primary input into the determination of the term structure of the probability of default ("PD") for exposures. The Group uses both quantitative and qualitative criteria to determine whether credit risk has increased significantly.

The Groups uses forward-looking macro-economic data such as year on year percentage change of Producer Price Index ("PPI"), Consumer Price Index ("CPI"), Gross Domestic Product ("GDP") and broad measure of money supply ("M2") in its assessment of significant increase in credit risk as well as in its measurement of ECL. The Group develops the forward-looking adjustment on ECL by building the relationship between these forward-looking macro-economic data and the business risk characteristics. In addition to the neutral scenario, the Group also develops other possible scenarios and corresponding weights in combination with market expectations. The Group measures PD as a weighted average of PD under extremely optimistic, optimistic, neutral, pessimistic and extremely pessimistic scenarios, with the combination of the loss given default ("LGD") of different business, the Group calculates the forward-looking adjusted ECL.

As at end of 2021, the Group conducted stress testing on the macro-economic data used in forward-looking measurement. When the weights of optimistic/extremely optimistic scenarios each increase by 5% and neutral scenario decrease by 10% or pessimistic/extremely pessimistic scenarios each increase by 5% and neutral scenario decrease by 10%, the impact on the Group's ECL allowances is insignificant.

48. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

Group's exposure to credit risk (continued)

The following table shows the Group's credit risk grading framework:

Category	Description	Basis for recognising ECL
Stage 1	For financial assets that have low risk of default or where there has not been a significant increase in credit risk since initial recognition and that are not credit impaired.	12m ECL
Stage 2	For financial assets where there has been a significant increase in credit risk since initial recognition but that are not credit impaired.	Lifetime ECL — not credit impaired
Stage 3	Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred.	Lifetime ECL — credit impaired

The table below shows the maximum credit risk exposure of the Group without consideration of the collateral and pledges:

	2021/12/31 RMB'000	2020/12/31 RMB'000
Financial assets at amortised cost:		
Cash and bank balances	6,738,571	5,176,968
Receivables arising from sale and leaseback arrangements	55,088,023	35,214,476
Loans and receivables	6,381,926	7,630,090
Accounts receivable	48,715	36,913
Other financial assets	2,286,938	683,483
Financial assets at fair value through profit or loss:		
Derivative financial assets	11,079	—
Finance lease receivables	33,472,587	48,411,403
Total	104,027,839	97,153,333

48. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

Group's exposure to credit risk (continued)

The amounts of the credit risk exposures set out above are the carrying amounts as at December 31, 2021 and 2020. For financial instruments measured at fair value, the risk exposure considered as its carrying value changes in accordance with future fair value.

Finance lease receivables, receivables arising from sale and leaseback arrangements and loans and receivables

For finance lease receivables, receivables arising from sale and leaseback arrangements, and loans and receivables, the Group has applied the three-stage impairment approach in IFRS 9 to measure ECL. Refer to Notes 20, 21 and 22 for the stage details, respectively.

Accounts receivable and other financial assets

For accounts receivable, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. For other financial assets, the Group has applied the general approach in IFRS 9 to measure the loss allowance for ECL.

Bank balances

Bank balances are determined to have low credit risk at the reporting date. The credit risk on bank balances is limited because the counterparties are reputable banks, and the risk of inability to pay or redeem at the due date is low.

Market risk

The Group is exposed to market risks that may cause losses to the Group as a result of adverse changes in market prices.

Market risks measurement techniques

The Group currently establishes position limits and uses sensitivity analysis to measure and control market risks. The Group regularly calculates and monitors the foreign exchange risk exposure, as well as the difference (net exposure) between interest-bearing assets and liabilities which would need to be repriced or mature in a certain period, and then uses the net exposure information to perform sensitivity analysis under changing exchange rate and market interest rate.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates.

48. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk (continued)

Foreign currency risk (continued)

Foreign currency risk of the Group is mainly attributable to the mismatch of the currencies of assets and liabilities and is mainly affected by changes in the exchange rate of RMB and US dollar. The Group manages its foreign exchange rates under the principle of risk neutralisation by matching the allocation of assets and liabilities of different currencies according to sensitivity analysis of the impact on operation resulting from changes in exchange rate. If necessary, the Group will hedge the exposure of foreign currency risk by using foreign exchange derivatives when chances arise. The operating lease (aircraft leasing) business of the Group is funded by loans denominated in US dollar which can offset part of the foreign currency risk exposure. The Group hedges the foreign currency risk arising from funding by currency forwards and other instruments. Such arrangement effectively minimises the foreign currency risk exposure. The foreign currency risk of the Group as a whole is relatively low and has no significant effect on the profits of the Group for the year.

The carrying amounts of the Group's foreign currency denominated assets and liabilities at the end of each reporting period were as follows:

	Assets		Liabilities	
	2021/12/31	2020/12/31	**2021/12/31**	2020/12/31
	RMB'000	RMB'000	**RMB'000**	RMB'000
United States dollar	**777,118**	1,031,857	**7,634,403**	8,997,577

Sensitivity analysis

The Group is mainly exposed to the effects of fluctuation in USD against RMB.

The following table details the Group's sensitivity to a 5% increase and decrease in RMB, the functional currency of the Company, against USD. 5% in the sensitivity rate represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation as at year ended date for a 5% change in foreign currency rate. The analysis illustrates the impact for a 5% weakening of USD against RMB and a positive number below indicates an increase in profit for the year. For a 5% strengthening of USD against RMB, there would be an equal and opposite impact on the profit for the year.

	2021/12/31	2020/12/31
	RMB'000	RMB'000
Increase in net profit	**174,509**	198,756

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

48. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk (continued)

Interest rate risk (continued)

The Group's exposure to interest rate risk relates primarily to the Group's bank balances, finance lease receivables, receivables arising from sale and leaseback arrangements, loans and other receivables, accounts receivable, derivative financial instruments, other financial assets, borrowings, accounts payable, bonds payable, and other financial liabilities.

Management closely monitors the market, and controls interest rate sensitivity gap by adjusting asset and liability structure, so as to achieve effective management of interest rate risk.

Fluctuations of prevailing rate of LPR and LIBOR are the major sources of the Group's cash flows interest rate risk.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for interest bearing financial assets and liabilities. The analysis is prepared assuming the interest bearing financial assets and liabilities outstanding at the end of each reporting period were outstanding for the whole year. When reporting to the management on the interest rate risk, the Group will adopt a 100 basis points increase or decrease for sensitivity analysis, when considering the reasonably possible change in interest rates.

	2021/12/31 RMB'000	2020/12/31 RMB'000
Increase/(decrease) in net profit		
100 basis points increase	248,372	224,191
100 basis points decrease	(248,372)	(224,191)

Price risk

The Group's exposure to price risk relates primarily to its investments in funds, wealth management products, equity instruments, asset management schemes and trust plans in financial assets at fair value through profit or loss.

The management considers the exposure of the Group to the price risk is insignificant as the Group's investments are not material.

Liquidity risk

Liquidity risk refers to the risk that the Group is unable to obtain fund at a reasonable cost to repay the liabilities or seize other investment opportunities. The objective of the Group's liquidity risk management is to ensure sufficient capital resource at any time to meet the repayment needs of matured liabilities, as well as the lessee's financing demand and seize new investment opportunities.

48. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk (continued)

The major payment demand of the Group is the repayments of matured debt.

Liquidity risk management policy

Each year, the Group formulates annual liquidity risk tolerance level based on comprehensive assessment of future development, operational strategies and market conditions and implements administrative measures accordingly under proper authorisation and approval procedures. In order to effectively monitor and manage liquidity risk, the Group formulates and promulgates policies such as Measures for the Management of Liquidity Risk, and carries out regular liquidity risk management through monthly tracking of the information system and assessment of conditions and indicators of liquidity risk. The details are as follows:

Regarding the intraday liquidity risk management:

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

Regarding the medium and long-term liquidity risk management:

- Implement the asset-liability structure management by determining a reasonable asset-liability ratio, monitoring and forecasting the ratio and complying with a predetermined upper limit of the aforementioned ratio;
- Implement the debt maturity structure management by tracking and forecasting the debt maturity structure, analysing the matching situation between assets and liabilities to ensure that mismatches are always within a reasonable range;
- Implement the management of credit line by continuously tracking various information of the existing credit line, such as the amount, type, duration, currency, etc., to meet a sufficient credit reserves position;
- Evaluate cooperation with every single major commercial bank, maintains financing reserve from multiple markets and channels, focuses on financing management at the Group level and keeps financing channels unblocked.

48. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk (continued)

Cash flow for non-derivative financial instruments

The table below presents the cash flows receivable and payable by the Group under non-derivative financial assets and liabilities and finance lease receivables by remaining contractual maturities at the end of each reporting period. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Group manages the inherent liquidity risk based on expected undiscounted cash inflows:

As at December 31, 2021

	Overdue RMB'000	On demand RMB'000	Within 3 months RMB'000	3 months to 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Financial assets and finance lease receivables							
Cash and bank balances	–	6,334,608	320,095	85,050	–	–	6,739,753
Financial assets at fair value through profit or loss	–	1,283,245	410,513	302,531	21,060	107,039	2,124,388
Finance lease receivables	1,288,726	–	5,763,302	18,481,123	12,490,240	597,410	38,620,801
Receivables arising from sale and leaseback arrangements	126,103	–	6,636,234	19,516,593	34,955,596	158,862	61,393,388
Loans and receivables	785,080	–	620,399	5,322,362	586,796	61,183	7,375,820
Accounts receivable	27,803	–	–	58,365	–	–	86,168
Other financial assets	–	89,422	24,326	499,898	1,322,941	780,508	2,717,095
Non-derivative financial assets total	2,227,712	7,707,275	13,774,869	44,265,922	49,376,633	1,705,002	119,057,413
Financial liabilities							
Borrowings	–	–	5,868,377	21,040,414	18,321,117	596,530	45,826,438
Accounts payable	–	34,552	–	–	–	–	34,552
Bonds payable	–	–	7,829,497	16,428,456	15,641,581	–	39,899,534
Other financial liabilities	–	918,180	1,130,218	4,619,931	6,164,257	340,202	13,172,788
Non-derivative financial liabilities total	–	952,732	14,828,092	42,088,801	40,126,955	936,732	98,933,312
Net position	2,227,712	6,754,543	(1,053,223)	2,177,121	9,249,678	768,270	20,124,101

48. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk (continued)

Cash flow for non-derivative financial instruments (continued)

As at December 31, 2020

	Overdue RMB'000	On demand RMB'000	Within 3 months RMB'000	3 months to 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Financial assets and finance lease receivables							
Cash and bank balances	–	4,630,725	492,006	54,426	–	–	5,177,157
Financial assets at fair value through profit or loss	–	402,418	160,543	9,954	260,364	65,921	899,200
Finance lease receivables	841,948	–	7,626,063	22,713,145	23,226,940	501,855	54,909,951
Receivables arising from sale and leaseback arrangements	58,423	–	3,958,762	12,816,861	22,431,809	43,031	39,308,886
Loans and receivables	886,835	–	673,020	6,065,860	1,385,650	75,052	9,086,417
Accounts receivable	31,819	–	–	39,424	–	–	71,243
Other financial assets	–	43,524	205	5,938	416,846	408,049	874,562
Non-derivative financial assets total	1,819,025	5,076,667	12,910,599	41,705,608	47,721,609	1,093,908	110,327,416
Financial liabilities							
Borrowings	–	–	5,847,718	17,722,894	22,299,700	601,913	46,472,225
Accounts payable	–	30,118	–	–	–	–	30,118
Bonds payable	–	–	7,850,761	11,730,870	14,733,120	–	34,314,751
Other financial liabilities	–	567,903	900,433	3,969,825	7,727,244	339,014	13,504,419
Non-derivative financial liabilities total	–	598,021	14,598,912	33,423,589	44,760,064	940,927	94,321,513
Net position	1,819,025	4,478,646	(1,688,313)	8,282,019	2,961,545	152,981	16,005,903

Cash flow for derivative financial instruments

The following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash (inflows) and outflows on derivative instruments that settle on a net basis, and the undiscounted gross (inflows) and outflows on those derivatives that require gross settlement.

48. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk (continued)

Derivative cash flows

	Less than 3 months RMB'000	3 months to 1 year RMB'000	1 year to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
December 31, 2021					
Derivative financial instruments settled on net basis	(3,368)	(9,858)	(44,068)	–	(57,294)
Derivative financial instruments settled on gross basis					
Including: Cash inflow	198,765	1,446,717	1,313,515	–	2,958,997
Cash outflow	(214,229)	(1,477,851)	(1,433,376)	–	(3,125,456)
	(15,464)	(31,134)	(119,861)	–	(166,459)

	Less than 3 months RMB'000	3 months to 1 year RMB'000	1 year to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
December 31, 2020					
Derivative financial instruments settled on net basis	(11,569)	(26,740)	(123,287)	(28)	(161,624)
Derivative financial instruments settled on gross basis					
Including: Cash inflow	167,685	1,400,428	1,171,482	–	2,739,595
Cash outflow	(175,559)	(1,497,365)	(1,231,302)	–	(2,904,226)
	(7,874)	(96,937)	(59,820)	–	(164,631)

Interest rate benchmark reform

The Group's IBOR bank loans are subject to the interest rate benchmark reform. The Group is closely monitoring the market and managing the transition to new benchmark interest rates, including announcements made by the relevant IBOR regulators.

Capital management

The Group manages its capital to ensure that the companies in the Group are able to operate as a going concern by optimising the structure of the debt and shareholders' equity while maximising shareholders' return. The objective of the Company's capital management is to ensure compliance with the relevant laws, regulations and other regulatory requirements. According to the current relevant laws and regulations in effect, the Company's risk assets shall not exceed 8 times of net assets.

As at December 31, 2021 and 2020, the risk assets to net assets ratio complied with the aforementioned regulations.

49. FAIR VALUE OF FINANCIAL INSTRUMENTS

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 on a recurring basis. The following tables give information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and key input(s) used).

Financial assets/ financial liabilities	Fair value as at 2021/12/31 RMB'000	Fair value as at 2020/12/31 RMB'000	Fair value hierarchy	Valuation technique(s) and key input(s)
1) Financial assets at fair value through profit or loss				
— Funds	**384,327**	260,841	Level 2	Net asset value as published by the fund manager.
— Wealth management products	**800,063**	30,006	Level 2	Net asset value as published by the product manager.
— Equity instruments	**98,855**	111,571	Level 1	Quoted bid price in an active market.
	—	65,309	Level 2	Based on latest round of financing.
	430,630	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 flow are discounted using weighed average cost of capital.
— Asset management schemes and trust plans	**410,513**	160,543	Level 2	Net asset value as published by the issuer/financial institution.

49. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

Financial assets/ financial liabilities	Fair value as at 2021/12/31 RMB'000	Fair value as at 2020/12/31 RMB'000	Fair value hierarchy	Valuation technique(s) and key input(s)
2) Currency forwards	Liabilities: (74,157)	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: 11,079 Liabilities: (68,105)	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.
4) Cross currency interest rate swaps	Liabilities: (88,985)	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.

49. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

Management determines the fair value of the Group's level 3 equity instruments using valuation techniques that incorporate unobservable input. These financial instruments are valued using cash flow discount method and market approach, which incorporate various unobservable assumptions such as discount rate, market rate volatilities, expected rate of return, and market liquidity discounts.

As at 31 December 2021, the effects of changes in significant unobservable assumptions to reasonably possible alternative assumptions were immaterial.

There was no transfer between Level 1 and Level 2 during the years ended December 31, 2021 and 2020.

The following table represents the changes in Level 3 financial instruments for the relevant years.

Financial assets at FVTPL

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
At the beginning of the year	**270,930**	35,921
Changes in fair value recognised in profit or loss	**38,339**	(285)
Additions	**71,988**	300,603
Disposal	**(598)**	—
Transfer from level 2	**65,309**	—
Transfer to level 2	**—**	(65,309)
Transfer to level 1	**(15,338)**	—
At the end of the year	**430,630**	270,930
Total gains/(losses) for assets held at the end of the year		
— unrealised gains/(losses) recognised in profit or loss	**32,937**	(30,202)

49. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Financial instruments that are not measured at fair value

The table below summaries the carrying amounts and expected fair values of those financial instruments not measured at their fair values:

	Carrying amount		Fair value	
	2021/12/31	2020/12/31	**2021/12/31**	2020/12/31
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial liabilities:				
Bonds payable	**37,854,830**	32,359,969	**38,161,844**	32,505,904

Fair value hierarchy of financial instruments not measured at fair value

	2021/12/31			
	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Bonds payable	**—**	**38,161,844**	**—**	**38,161,844**

	2020/12/31			
	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Bonds payable	—	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 input being the discount rate that reflects the credit risk of counterparties.

Except for the above, the directors of the Company consider that the carrying amounts of other financial assets and financial liabilities recorded at amortised cost on the Group's consolidated statement of financial position approximate their fair values because the majority of these financial assets and liabilities are matured within one year or at floating interest rates.

50. PARTICULARS OF SUBSIDIARIES

Details of the subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below:

Name of subsidiaries	Place and date of incorporation/ establishment	Registered capital/ issued share capital	Equity interest held by the Company At December 31, 2021	2020	Principal activities/ place of operation
Directly held:					
Haitong Unitrust International Financial Leasing (Tianjin) Corporation	PRC, 2011	RMB 210,000,000	**100%**	100%	Leasing, PRC
Shanghai UniCircle Investment & Development Co., Ltd. (note ii)	PRC, 2006	RMB 100,000,000	**100%**	100%	Property management, logistics management, catering management, PRC
Haitong UniFortune Financial Leasing (Shanghai) Corporation	PRC, 2014	RMB 1,360,000,000	**100%**	100%	Leasing, PRC
Haitong UT Leasing HK Limited	Hong Kong, 2017	USD 253,148,444	**100%**	100%	Leasing, Hong Kong
Penglai Hengshi Properties Limited (note i)	PRC, 2018	RMB 15,000,000	**95%**	95%	Government outsourcing businesses, PRC
Longyao County Hengjing Engineering Project Management Co., Ltd. (note i)	PRC, 2018	RMB 37,608,500	**90%**	90%	PPP project management, PRC
Longyao County Yutong Engineering Project Management Co., Ltd (note i)	PRC, 2018	RMB 65,151,880	**90%**	90%	PPP project management, PRC
Tonggu County Dingxin Engineering Project Management Co., Ltd. (note i)	PRC, 2019	RMB 134,000,000	**73.9%**	73.9%	PPP project management, PRC
Le'an County Dingxin Engineering Project Management Co., Ltd. (note i)	PRC, 2019	RMB 214,661,100	**75%**	75%	PPP project management, PRC

50. PARTICULARS OF SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Place and date of incorporation/ establishment	Registered capital/ issued share capital	Equity interest held by the Company At December 31, 2021	2020	Principal activities/ place of operation
Qimen County Dingxin Engineering Project Management Co., Ltd. (note i)	PRC, 2020	RMB 165,072,820	**85%**	85%	PPP project management, PRC
Haitong UT MSE Financial Leasing (Shanghai) Co., Ltd. (Note 19)	PRC, 2016	RMB 1,500,000,000	**100%**	100%	Leasing, PRC
Shanghai Dingjie Construction Development Co., Ltd. (note ii)	PRC, 2018	RMB 20,000,000	**100%**	100%	Government outsourcing business and PPP project management, PRC
Indirectly held:					
Haitong UT Leasing Irish Holding Corporation Limited	Ireland, 2017	USD 1	**100%**	100%	Aircraft related business, Ireland
Haitong Unitrust No. 1 Limited	Ireland, 2016	USD 1	**100%**	100%	Aircraft leasing, PRC (note iii)
Haitong Unitrust No. 2 Limited	Ireland, 2017	USD 1	**100%**	100%	Aircraft leasing, PRC (note iii)
Haitong Unitrust No. 3 Limited	Ireland, 2017	USD 1	**100%**	100%	Aircraft leasing, Philippines (note iii)
Haitong Unitrust No. 4 Limited	Ireland, 2017	USD 1	**100%**	100%	Aircraft leasing, Philippines (note iii)
Haitong Unitrust No. 5 Limited	Ireland, 2017	USD 1	**100%**	100%	Aircraft leasing, Mexico (note iii)
Haitong Unitrust No. 6 Limited	Ireland, 2017	USD 1	**100%**	100%	Aircraft leasing, Mexico (note iii)
Haitong UT Leasing Irish Finance Limited	Ireland, 2018	USD 1	**100%**	100%	Financial service on aircraft related business, Ireland
Haitong UT HK 1 Limited	Hong Kong, 2018	USD 1	**100%**	100%	Aircraft leasing, Qatar (note iii)
Haitong UT HK 2 Limited	Hong Kong, 2018	USD 1	**100%**	100%	Aircraft leasing, Qatar (note iii)
Haitong UT HK 3 Limited	Hong Kong, 2018	USD 1	**100%**	100%	Aircraft leasing, Indonesia (note iii)
Haitong UT HK 4 Limited	Hong Kong, 2018	USD 1	**100%**	100%	Aircraft leasing, Indonesia (note iii)

50. PARTICULARS OF SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Place and date of incorporation/ establishment	Registered capital/ issued share capital	Equity interest held by the Company At December 31, 2021	2020	Principal activities/ place of operation
Haitong UT HK 5 Limited	Hong Kong, 2018	USD 1	**100%**	100%	Aircraft leasing, PRC (note iii)
Haitong UT HK 6 Limited	Hong Kong, 2018	USD 1	**100%**	100%	Aircraft leasing, PRC (note iii)
Haitong UT HK 7 Limited	Hong Kong, 2018	USD 1	**100%**	100%	Aircraft leasing, PRC (note iii)
Haitong UT HK 8 Limited	Hong Kong, 2018	USD 1	**100%**	100%	Aircraft leasing, PRC (note iii)
Haitong UT HK 9 Limited	Hong Kong, 2018	USD 1	**100%**	100%	Financial service on aircraft related business, Hong Kong
Haitong UT HK 10 Limited	Hong Kong, 2018	USD 1	**100%**	100%	Financial service on aircraft related business, Hong Kong
Haitong UT HK 15 Limited	Hong Kong, 2019	USD 1	**100%**	100%	Aircraft leasing, Malaysia (note iii)
Haitong UT HK 16 Limited	Hong Kong, 2019	USD 1	**100%**	100%	Aircraft leasing, Malaysia (note iii)
Haitong UT HK 17 Limited	Hong Kong, 2019	USD 1	**100%**	100%	Aircraft leasing, PRC (note iii)
Haitong UT HK 18 Limited	Hong Kong, 2020	USD 1	**100%**	100%	Aircraft leasing, PRC (note iii)
Haitong UT HK 19 Limited	Hong Kong, 2020	USD 1	**100%**	100%	Aircraft leasing, PRC (note iii)
Haitong UT Brilliant Limited	Hong Kong, 2020	USD 1	**100%**	100%	Financing vehicle, Hong Kong
Haitong Unitrust No. 1 Leasing (Tianjin) Corporation	PRC, 2019	RMB 100,000	**100%**	100%	Aircraft leasing, PRC (note iii)
Haitong Unitrust No. 2 Leasing (Tianjin) Corporation	PRC, 2019	RMB 100,000	**100%**	100%	Aircraft leasing, PRC (note iii)
Haitong Unitrust No. 3 Leasing (Tianjin) Corporation	PRC, 2021	RMB 100,000	**100%**	N/A	Aircraft leasing, PRC (note iii)

50. PARTICULARS OF SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Place and date of incorporation/ establishment	Registered capital/ issued share capital	Equity interest held by the Company At December 31, 2021	2020	Principal activities/ place of operation
Haitong Unitrust No. 4 Leasing (Tianjin) Corporation	PRC, 2021	RMB 100,000	**100%**	N/A	Aircraft leasing, PRC (note iii)
Haitong UT Holding Limited	Hong Kong, 2017	USD 1,000,000	**100%**	100%	Leasing, Hong Kong

note i: During the year ended December 31, 2021, the subsidiaries of the Company received capital injection of RMB31,250 thousand from their minority shareholders (2020: RMB34,596 thousand). The capital injections from the above minority shareholders were recognised as non-controlling interests.

note ii: In February 2021, Shanghai UniCircle Investment & Development Co., Ltd. which is the subsidiary of the Company transferred its 100% shareholding of Shanghai Dingjie Construction Development Co., Ltd. to the Company.

note iii: Place of operation represents the location of the lessee in aircraft leasing business.

As at December 31, 2021 and 2020, the subsidiaries of the Group which are established in the PRC are all limited liability companies registered under the PRC law.

As at December 31,2021, none of the subsidiaries had issued any debt securities at the end of the year except for Haitong UT Brilliant Limited which had issued approximately USD100 million of medium term notes and Haitong UT MSE Financial Leasing (Shanghai) Co., Ltd. which had issued approximately RMB140 million of asset-backed securities, in which the Group had no interest (December 31, 2020: nil).

51. SUBSEQUENT EVENTS

The Group had no material subsequent events after December 31, 2021.

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