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

2022 Annual Report

CONTENTS

This report has been prepared in Chinese and English respectively. In case of discrepancy, the Chinese version shall prevail, except for the financial report prepared in accordance with IFRS, of which the English version shall prevail.

Company Profile

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

Over the years, the Group has been adhering to its role as a financial service provider of the real economy and has been grasping favorable opportunities arising from the major transformation of economy of China. The Group has also pursued the operating strategies of "cross-border thinking, promoting innovative development, strengthening our capacity and grasping business opportunities". Based on its customer development strategy of maintaining a balanced customer base, the Group has pursued its long-term goal of "professional, group-based, internationalized and digitalized" business development. It has also provided tailored services to a wide range of customers, including LMEs, MSEs and retail customers. We have continued to provide comprehensive financial services to customers in advanced manufacturing, urban utilities, energy and environmental protection, transportation & logistics, construction, culture and tourism, healthcare and other industries by implementing the best practices of investment banking and strengthening the collaboration with our parent company, financial institutions and industrial ecosphere partners, etc. We have formed a competitive advantage with unique securities firm characteristics, including coordinated allocation of resources and assets and balanced growth of business scale and income.

The Group's headquarters is located in Shanghai and operates seven specialized 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. We have also established 18 branches. Our branch network also encompasses a number of subsidiaries in areas including Hong Kong, Tianjin and Shanghai. Through implementing a "One Body, Two Wings" business development strategy, we have expanded the geographical coverage and customer base of our domestic and overseas business. As such, our local teams have been able to develop expertise that is most pertinent to the local market environments.

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

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. DING Xueqing (Chairman of the Board)
Ms. ZHOU Jianli

Non-executive Directors

Mr. REN Peng
Ms. HA Erman
Mr. LU Tong
Mr. WU Shukun
Mr. ZHANG Shaohua

Independent non-executive Directors

Mr. YAO Feng
Mr. ZENG Qingsheng
Mr. WU Yat Wai
Mr. YAN Lixin

AUDIT COMMITTEE OF THE BOARD

Mr. ZENG Qingsheng (Chairman)
Mr. ZHANG Shaohua
Mr. YAN Lixin

NOMINATION COMMITTEE OF THE BOARD

Mr. YAN Lixin (Chairman)
Mr. REN Peng
Mr. WU Yat Wai

REMUNERATION AND EVALUATION COMMITTEE OF THE BOARD

Mr. ZENG Qingsheng (Chairman)
Mr. WU Shukun
Mr. YAO Feng

RISK MANAGEMENT COMMITTEE OF THE BOARD

Mr. YAN Lixin (Chairman)
Mr. DING Xueqing
Mr. ZHANG Shaohua
Mr. YAO Feng

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE OF THE BOARD

Mr. DING Xueqing (Chairman)
Ms. HA Erman
Ms. ZHOU Jianli

BOARD OF SUPERVISORS

Mr. WU Xiangyang (Chairman)
Mr. CHEN Xinji
Mr. HU Zhangming

JOINT COMPANY SECRETARIES

Mr. FU Da
Ms. SO Shuk Yi Betty (ACG, ACS)

AUTHORIZED REPRESENTATIVES

Mr. DING Xueqing
Ms. SO Shuk Yi Betty (ACG, ACS)

LEGAL ADVISORS

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

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

AUDITOR

Domestic Auditor
PricewaterhouseCoopers Zhong Tian LLP
42/F, New Bund Center
588 Dongyu Road, Pudong New District
Shanghai, PRC

International Auditor
PricewaterhouseCoopers
Registered Public Interest Entity Auditors
22nd Floor, Prince's Building, Central
Hong Kong

H SHARE REGISTRAR

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

REGISTERED ADDRESS

No. 599 South Zhongshan Road
Huangpu District
Shanghai
PRC

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

COMPANY'S WEBSITE

http://www.utfinancing.com

STOCK CODE

1905

LISTING DATE

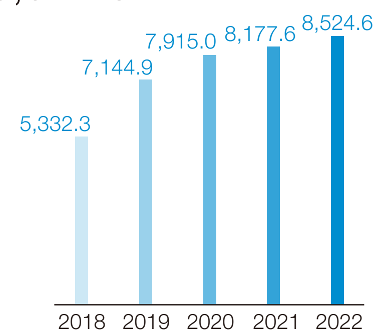
June 3, 2019

1. OVERVIEW OF KEY FINANCIAL DATA

For the year ended December 31, 2022

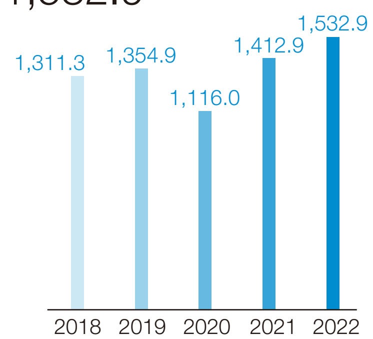
Total revenue
RMB in millions

8,524.6



Profit for the year
RMB in millions

1,532.9



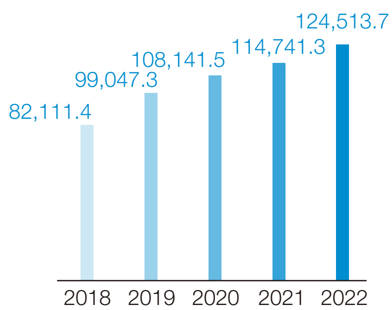
Basic earnings per share
RMB yuan/share

0.17

As at December 31, 2022

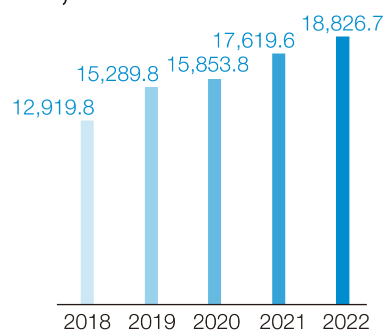
Total assets
RMB in millions

124,513.7



Total equity
RMB in millions

18,826.7



Net assets per share
RMB yuan/share

1.96

Net interest margin

2021	2022
3.30%	**3.51%**

Average yield of interest-earning assets

2021	2022
6.79%	**6.81%**

Net interest spread

2021	2022
2.86%	**3.08%**

Weighted average return on net assets

2021	2022
8.91%	**9.16%**

Asset-liability ratio

As at December 31, 2021	As at December 31, 2022
84.64%	**84.88%**

NPA ratio

As at December 31, 2021	As at December 31, 2022
1.07%	**1.09%**

2. CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	For the year ended December 31				
	2022	2021	2020	2019	2018
	(RMB in millions, except percentages)				
Total revenue	**8,524.6**	8,177.6	7,915.0	7,144.9	5,332.3
Total revenue and other income, gains or losses	**8,862.0**	8,953.2	8,545.1	7,449.0	5,565.4
Interest expenses	**(3,541.9)**	(3,527.8)	(3,676.1)	(3,331.3)	(2,316.3)
Total expenses	**(6,805.8)**	(7,021.6)	(7,056.9)	(5,647.9)	(3,810.0)
Profit before income tax	**2,056.2**	1,931.6	1,488.2	1,801.1	1,755.3
Income tax expense	**(523.3)**	(518.7)	(372.2)	(446.2)	(444.1)
Profit for the year	**1,532.9**	1,412.9	1,116.0	1,354.9	1,311.3
Earnings per share attributable to ordinary shareholders of the Company (RMB yuan/share)					
— Basic	**0.17**	0.16	0.13	0.16	0.17
— Diluted	**N/A**	N/A	N/A	0.16	N/A
Profitability indicators					
Return on average assets[(1)]	**1.28%**	1.27%	1.08%	1.50%	1.84%
Weighted average return on net assets[(2)]	**9.16%**	8.91%	7.45%	9.92%	11.49%
Cost-to-income ratio[(3)]	**15.29%**	13.02%	10.93%	10.78%	11.52%
Profit margin before tax and provision[(4)]	**43.49%**	45.61%	43.16%	43.24%	47.27%
Net profit margin[(5)]	**17.98%**	17.28%	14.10%	18.96%	24.59%
Profitability indicators of assets					
Average yield of interest-earning assets[(6)]	**6.81%**	6.79%	7.03%	7.23%	6.66%
Of which: finance lease business[(7)]	**6.85%**	6.96%	7.36%	7.54%	6.83%
Average cost of interest-bearing liabilities[(8)]	**3.73%**	3.93%	4.34%	4.58%	4.66%
Net interest spread[(9)]	**3.08%**	2.86%	2.69%	2.65%	2.01%
Net interest margin[(10)]	**3.51%**	3.30%	3.17%	3.17%	3.16%

3. CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	As at December 31				
	2022	2021	2020	2019	2018
	(RMB in millions, except percentages)				
Non-current assets	**66,888.9**	52,874.0	52,279.2	47,897.8	38,638.6
Receivables from finance lease business(Note 1)	**54,950.4**	42,792.0	40,883.6	37,934.9	30,824.7
Property and equipment	**7,307.2**	5,463.2	7,154.2	4,730.0	4,217.4
Current assets	**57,624.8**	61,867.3	55,862.3	51,149.5	43,472.8
Receivables from finance lease business(Note 1)	**49,058.0**	45,768.6	42,742.3	36,950.4	30,828.0
Total assets	**124,513.7**	114,741.3	108,141.5	99,047.3	82,111.4
Current liabilities	**57,560.7**	57,562.4	48,362.6	46,183.7	35,083.0
Borrowings	**25,672.5**	25,796.4	22,205.2	19,660.8	18,162.1
Bonds payable	**23,883.1**	23,409.9	18,408.9	20,114.2	12,856.9
Total equity	**18,826.7**	17,619.6	15,853.8	15,289.8	12,919.8
Equity attributable to owners of the Company					
— Ordinary shareholders	**16,139.5**	15,151.4	14,278.3	14,035.9	11,187.8
— Other equity instrument holders	**2,642.9**	2,384.5	1,523.8	1,237.2	1,237.0
Non-controlling interests	**44.3**	83.7	51.7	16.7	495.0
Non-current liabilities	**48,126.3**	39,559.3	43,925.1	37,573.8	34,108.6
Borrowings	**23,146.8**	18,145.2	21,796.4	18,096.4	12,836.5
Bonds payable	**18,670.2**	14,865.4	13,951.1	11,332.8	14,594.8

	As at December 31				
	2022	2021	2020	2019	2018
	(RMB in millions, except percentages)				
Net assets per share					
(RMB yuan/share)	**1.96**	1.84	1.73	1.70	1.60
Solvency indicators					
Asset-liability ratio(11)	**84.88%**	84.64%	85.34%	84.56%	84.27%
Gearing ratio(12)	**485.34%**	466.62%	481.66%	452.62%	452.41%
Asset quality indicators					
NPA ratio(13)	**1.09%**	1.07%	1.10%	1.08%	0.94%
Allowance coverage ratio for NPAs(14)	**252.02%**	258.80%	255.16%	265.19%	339.05%

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

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

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

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

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

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

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

(7) Calculated by dividing income from finance lease business by the average present value of receivables from finance lease business. The average present value of receivables from finance lease business represents the average present value of receivables from finance lease business before deduction of allowances for impairment losses as at the end of last year and the middle and the end of the year.

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

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

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

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

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

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

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

Chairman's Statement

DING Xueqing
Chairman and Executive Director

In 2022, due to the complex and ever-changing international economic and politic environments as well as the profound impacts of the pandemic, major economies around the world continued to tighten their monetary policies, which led to rising global inflation, higher risk of stagnation, setback of globalization and global economic downturn. In the face of the complex international environment and the challenging tasks of the domestic policies for stabilizing transformation and development, the Chinese government effectively coordinated its pandemic prevention and control measures and its economic development. Through stepping up the adjustment of the macroeconomic policies, China maintained the stability of its economy and society. In 2022, the 20th National Congress of the Chinese Communist Party was convened, at which the strategies for the construction of a modernized socialist country and the great rejuvenation of the Chinese nation were discussed, laying out the grand blueprint for the development of Chinese modernization.

In response to different challenges such as the accelerated changes in the international events and the recurring pandemic, the Group remained committed to its party building principles and strategic positioning. To align with the national strategies and industrial policies, the Group made precise preparation for the pandemic prevention and control and the resumption of operation and development. We strived to pursue the vision of "One Haitong Unitrust" (一個海通恒信) based on the concept of "One Haitong" (一個海通). We also insisted on our "practical, pioneering, robust and excellent" operation concepts as we worked together to overcome difficulties, make advance planning and take on an active role in the pursuit of stable and positive performance of the Company. As at December 31, 2022, our total assets amounted to RMB124,513.7 million, representing an increase of 8.5% as compared with the end of last year; and our total equity amounted to RMB18,826.7 million, representing an increase of 6.9% as compared with the end of last year. In 2022, our total revenue amounted to

RMB8,524.6 million, representing a year-on-year increase of 4.2%; and profit of the year amounted to RMB1,532.9 million, representing a year-on-year increase of 8.5%. As at the end of 2022, the NPA ratio and allowance coverage ratio for NPAs of the Group were 1.09% and 252.02%, respectively, reflecting a controllable risk level in general.

In 2022, we continued to strengthen the leading role in party building and further stepped up our branding efforts based on party building initiatives. We formulated exceptional party building initiatives to facilitate high-quality development. Our party building brand, "Unitrust's Commitment to the Party and Future Growth" (恆心向黨 恆信前行), was honored as the "Outstanding Brand of Party Building Culture of State-owned Enterprises in Shanghai" (上海國企黨建文化品牌). We actively fulfilled our corporate social responsibilities by introducing a number of measures to support the fight against the pandemic in a timely manner, such as opening a green approval channel for special anti-pandemic industries, deferral of lease payment, reduction or exemption of handling fees, and other measures were offered specifically to creditworthy customers. We stood by quality business entities during difficult times by providing heartwarming services as financial protection for pandemic prevention and control. We donated nearly RMB500,000 to the government offices of the streets where we operate and the frontline healthcare workers for pandemic prevention through a unified donation platform, the "social charity foundation" of Shanghai financial system. We also called on our employees to actively volunteer in community anti-pandemic services. We received the "Outstanding Contribution Award of Corporate Social Responsibility" (企業社會責任傑出貢獻獎) from the government of Huangpu District in recognition of our volunteering efforts. As part of our initiatives to promote regional prosperity and stability and provide financial assistance, we donated RMB500,000 to relevant departments in Pu'er, Yunnan Province to support local development and construction, and facilitate the further improvement of people's living conditions, in order to financially support effective and steady rural revitalization.

In 2022, we paid close attention to the changes in the market environment and strictly followed the national industrial policies as we further optimized our asset allocation. Committed to providing leasing services, we increased the investment in our asset portfolio which focuses on stable assets related to people's livelihood. Also taking into account the favorable policy direction of the "14th Five-Year Plan" of China and our strategic deployment, we increased our business investment in "high-end equipment manufacturing", "green leasing", "digital economy" and other strategic emerging industries. We further strengthened our industrialized development to maintain the consistency among our stable asset allocation, development insights and profitability. In active response to the government policy that encourages financial institutions to provide greater support for MSEs, we focused on the medium- and high-end development of the manufacture industry and the transformation of traditional industries, which allowed us to further innovate and update our financial products catering to MSEs. We also expanded our business in the transportation and logistics market segments such as shared travel and green energy, and deepened the development of our green travel ecosystem. In line with the changing needs of customers in the era of digitalization, we continued to increase our investment in financial technology and focused on improving the online and automation level of the entire business process, enabling the creation of a new digital system for inclusive finance to improve quality, lower costs and enhance efficiency of the Company.

In 2022, we actively developed a new leasing ecosystem. We strengthened our cooperation and communication with government authorities, peers in the financial industry and industrial partners through establishing a communication platform to facilitate sharing, interaction, synergistic improvement and win-win situation. Taking the lead in promoting the prosperous development of the financial leasing industry in the region, we also boosted our corporate image. We participated in the preparation of the Shanghai Financial Leasing Industry Report (2022) (《上海融資租賃行業報告(2022)》) and held the 2022 Press Conference on the Shanghai Financial Leasing Industry Report (2022上海融資租賃行業系列報告發佈會) as the "Executive Chairman Unit" (執行會長單位) of the Shanghai Financial Leasing Association (上海市融資租賃行業協會). These events allowed us to join hands with our peers and partners in the leasing industry to explore new development opportunities and make improvements in our principal business and financial services for the real economy. In order to support the development of computational power related industries, we held the 2022 High-end Computational Power Ecosystem Summit (2022算力生態高端峰會) to conduct in-depth discussion about the integration of business and finance, such as cloud business, computational power market and "Eastern Data and Western Computing". To capture the new favorable opportunities arising from the digital economy, we organized the Huangpu Branch Campaign in Shanghai of the 2022 Global Digital Business Conference (2022全球數商大會上海黃浦分會場活動), at which financial initiatives were discussed to promote the high-quality development of the digital economy. We were involved in the establishment of the Leased Assets Trading Division of the Shanghai United Assets and Equity Exchange (上海聯合產權交易所租賃資產流轉專版). As the first participant of the Leased Assets Trading Division, we supported its development as a platform for trading different high-quality leased assets in the market, which enhanced the efficiency of industry resources allocation. We also received several awards, including the "2022 Top 100 Emerging Industrial Enterprises in Shanghai" (2022上海新興產業企業100強), the "Top 100 Enterprises in Huangpu District, Shanghai for the Year" (上海市黃浦區年度百強企業), the "2022 Outstanding Achievement Award for Leading Enterprises in Serving the Niche Industries in the Fifth Session of China's Financial Leasing Award Ceremony" (2022第五屆中國融資租賃「騰飛獎」專精特新租賃領軍企業), the "Outstanding Innovation Award" in the 2022 (Second Session of the) National Financial Leasing Innovation Competition (2022 年(第二屆)全國融資租賃創新案例大賽「優秀創新案例」獎) and the "2021 Shanghai's Outstanding Financial Leasing Industry Eco-friendly Innovation Award" (2021年度上海融資租賃行業綠色創新案例).

In 2022, we continuously strengthened the ESG management structure and embedded ESG factors in all level of our corporate governance in an effort to realize the organic combination of economic benefit and social value. We were honored with "ESG Governance Demonstration Award" at the seventh session of the "Social Value Co-creation" Excellent Case Selection of Corporate Social Responsibility in China (第七屆「社會價值共創」中國企業社會責任卓越案例評選「ESG 治理示範獎」). Adhering to our prudent risk management philosophy, we improved our overall risk management system. Through formulating ESG risk management measures and carrying out quantitative evaluation of the ESG management level of our customers, we strived for the long-term balance between stable business growth and risk prevention. We fully launched the "Compliance and Internal Control" Campaign and formulated relevant implementation plans to constantly consolidate and strengthen all employees' awareness of compliance and internal control. Despite the adverse external conditions such as increasing economic uncertainties, the Company distributed annual dividend for 2021 and interim dividend for 2022 to its Shareholders and proposed annual profit distribution for 2022 at the Shareholders' general meeting to ensure continuous, stable and reasonable return for its Shareholders. In 2022, we acquired the properties located at 599 South Zhongshan Road and 666 Waima Road, which we have established as the core workspace of the Group. This acquisition has visually enhanced our image and optimized our corporate brand image, extensively improving the overall developmental capabilities of the Group.

In 2023, the global economic growth is expected to be slow. Regional turmoil and geopolitical conflicts will lead to higher uncertainty in the global capital market and greater risks in the financial market. Benefitting from the efficient implementation of the macroeconomic adjustment policies and the optimized adjustments of pandemic prevention and control measures, the economic and financial environment in China will remain stable in general and the strategic emerging industries of China are expected to record substantial growth. As such, the Group will be presented with a favorable opportunity and a scalable market for its sustainable, healthy development. In 2023, we will continue to follow the general philosophy of the "20th CPC National Congress". Committed to our practical approach, innovative endeavors, prudent initiatives and pursuit of excellence, we will insist on our mission of providing leasing services for the real economy. The Company will expand its business layout in respect of MSEs, technological innovation and green and low carbon sectors in strict accordance with the strategies and policies of China. These measures will further enhance our asset structure and industrial ecosystem, maintain our technological advancement and extend the application of fin-tech. With stronger operation and management capability, higher market position, broader development vision and scalable business layout, Haitong Unitrust will be able to pave the way for its high-quality development to become a leading financial leasing company.

At last, on behalf of the Board, I would like to express my sincere gratitude to our Shareholders, customers, business partners and other parties for their continuous trust and support. Despite the challenges ahead, it is our commitment to pursue excellence as always. In 2023, we will remain persistent, trustworthy, innovative, diligent and courageous as we dedicate ourselves to the mission and philosophy of the Group with unity and wholeheartedness. We will strive to create a financial ecosystem that integrates a wide range of industries, support the high-quality development of the real economy and empower the entire community to create a better future.

DING Xueqing
Chairman and Executive Director
March 30, 2023

General Manager's Statement

In 2022, the Group paid close attention to the changes in macro environment and pursued the operating strategies of "cross-border thinking, promoting innovative development in strict adherence to the national industrial strategies and policies. The Group focused on providing leasing services and further strengthened its industrialized development by capitalizing on its advantage of "financing with capital + goods". Efforts were made in the development of business network as well as the expansion and diversification of the application of fin-tech in order to boost organic growth and promote high quality and sustainable development of the Company through compliant and innovative operations. Our efforts in increasing revenue, maintaining prudent operation, controlling risks and optimizing financing were proven successful. (1) Our profitability improved steadily. The Group focused on serving the real economy and continued to increase business investment, optimize liability structure and strengthen asset management. Our profit for the year was RMB1,532.9 million, representing a year-on-year increase of 8.5%. (2) Our business expanded steadily. The Group continued to enrich its financial product portfolio and actively explored new growth momentum. Our total revenue was RMB8,524.6 million, representing a year-on-year growth of 4.2%. (3) Our total assets maintained continuous growth. As at December 31, 2022, total assets of the Group amounted to RMB124,513.7 million, representing an increase of 8.5% as compared with the end of last year. The total equity of the Group amounted to RMB18,826.7 million, representing an increase of 6.9% as compared with the end of last year. (4) Our asset structure was further optimized. The Group closely followed national industrial policy. Businesses of the Group in urban utilities, energy and environmental protection and other industries remained stable. Development of strategic emerging industries such as "high-end equipment manufacturing", "green leasing" and "digital economy" was also promoted. In 2022, the Group invested RMB71,574 million in its business, representing a year-on-year growth of 7.2%. (5) We further optimized our comprehensive risk management system and enhanced our whole-process risk management and control and proactive risk management. Assets quality of the Group remained stable with stronger risk resistibility. As at December 31, 2022, the NPA ratio and allowance coverage ratio for NPAs of the Group were 1.09% and 252.02%, respectively. (6) With enhancing financing ability, our financing cost decreased effectively. In 2022, leveraging our credit advantages as well as innovative and optimized financing models, we recorded a financing withdrawal of RMB73.5 billion, including a direct financing withdrawal of RMB36.0 billion, accounting for 49% of the total amount. The average cost of interest-bearing liabilities was 3.73%, representing a year-on-year decrease of 0.20 basis points.

In 2022, based on our excellent market insights, we actively promoted the strategic cooperation with quality customers in industries encouraged by government policies and focused on developing businesses in new economic sectors such as new energy, IDC, 5G and high-end equipment manufacturing. We structured our asset portfolio which focuses on stable assets related to people's livelihood and features assets with growth potential from "high-end equipment manufacturing", "green leasing", "digital economy" and other strategic emerging industries that align with the national policy direction and boast promising development prospects. We further optimized our operating structure and strengthened our industrial operation capacities by offering comprehensive financial services featuring the integration of industrial and financing resources to create an industrial ecosystem that leads the innovative development of the industry. Efforts were also made to form a vertically integrated industrial ecosystem based on the characteristics of industries and with development potential. The Hainan branch was established to further expand our national marketing network. The reform of branches in different categories and levels was further enhanced and local resources allocation was refined according to the local characteristics and strengths. We also strengthened the collaboration across different regions and industries to consolidate our regional professional leasing brand. Leveraging the changing needs of customers for inclusive financial services in the era of digitalization, we put our targets on quality MSEs with core competitive strengths and developed an ecosystem business layout covering the whole industry chain of transportation and logistics to enhance the core competitiveness of our digital system for inclusive finance.

We continued to develop innovative financing instruments to enhance the quality of our financial services for the digital economy, niche industries and other sectors. We further enriched our green financing products and launched a number of innovative financing instruments for various industries. We were honored as the "Outstanding Promoter of Asset Securitization Business" (資產證券化業務優秀發起人) and the "Outstanding Promoter of Asset Securitization Innovative Business" (資產證券化創新業務優秀發起人) of the Shanghai Stock Exchange for 2022. We increased our investment in fin-tech with focus on providing online and automatic services for all business processes. Digital services were launched to support our business development by making use of technologies efficiently. We also further strengthened our comprehensive risk management. Through effective whole-process risk management and control, our risk pricing model was optimized, customer rating system was improved, concentration management was enhanced and ESG risk management system was established, which has further refined our comprehensive risk management standards. We have been adhering to the bottom line of compliance and improving our compliance and internal control culture to consolidate the foundation of compliance governance and ensure our compliance and sound operation.

In 2023, we will lead our Company's development with high-quality party building. Adhering to the objective of serving the real economy, we will focus on providing support to enterprises, targeting physical assets and industries. We will further optimize our asset structure and promote the industrial development of the Company. We will also continue to expand the regional markets, strengthen the business advantages in local operations, optimize the reform of branches in different categories and levels, accelerate the development of fin-tech and push forward the digitalization of the Company to improve our comprehensive competitive edges. In strict accordance with the "14th Five-Year Plan" and strategic goals of "emission peak and carbon neutrality" of China, we will increase investments in high-end equipment manufacturing, green leasing, digital economy and other industries which are encouraged by government policies. Taking advantage of the development opportunities from the dynamic shifts in domestic and overseas demands and the implementation of strategies to boost domestic consumption, we will establish an ecosystem integrating the industry and financing and develop more differentiated and distinctive financial products to achieve refined, specialized and high quality development. We will strive to become a benchmark financial leasing company in China.

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

ZHOU Jianli
Executive Director and General Manager
March 30, 2023

1. OPERATION OVERVIEW

1.1 MACROECONOMY

In 2022, as the Russia-Ukraine conflict had continued, commodity prices had fluctuated at high levels, food and energy security issues had been prominent, and the global economy continued to be complicated and fluctuated. Inflation in major overseas economies had climbed to the peak in last four decades, and the central banks of various countries had adopted interest rate hike measures in response to inflation to curb consumption and investment demand. The world economy is now facing continuous downward pressure and the risk of stagflation. The interest rates of major economies had gradually shifted towards high interest rates. Together with economic downturn expectations, large fluctuation had been triggered in the global financial market.

In 2022, the "20th CPC National Congress" was successfully held, which clarified the overall goals and strategic arrangements for the national development by 2035 and the middle of this century. Under the strong leadership of the Party Central Committee and the State Council, the domestic economy has remained reasonable, while the economic and social development had been stable and orderly in 2022. With the continuous optimization of epidemic prevention and control measures, the economic recovery had been obvious, and the GDP of the year amounted to RMB121 trillion, representing a year-on-year increase of 3.0%, which still achieved positive growth despite the unexpected impact of the epidemic. The economic aggregate had reached a new level, demonstrating the resilience and potential of China's economic development. In 2022, fixed-asset investment in China amounted to RMB57.21 trillion, representing a year-on-year increase of 5.1%. The total retail sales of consumer goods amounted to RMB43.93 trillion, representing a year-on-year decrease of 0.2%. In terms of industries, the output growth of the primary, secondary and tertiary industries recorded year-on-year increases of 4.1%, 3.8% and 2.3%, respectively. As industrial production grew steadily, the output growth of major manufacturing sectors in China recorded a year-on-year increase of 3.6%. The output growth of high-tech manufacturing industry and equipment manufacturing industry recorded year-on-year increases of 7.4% and 5.6%, respectively, which were 3.8 and 2.0 percentage points higher than major manufacturing sectors, respectively. The output growth of new energy vehicles, mobile communication base station equipment, industrial control computers and systems recorded increases of 97.5%, 16.3% and 15.0%, respectively, resulting in accelerating growth in strategic emerging industries.

In 2022, as China continued to strengthen its financial policies, financial regulation and control, the quality and efficiency of financial support for the real economy had been further improved. The PBOC's two reduction policies for required reserve ratio released long-term liquidity exceeding RMB1 trillion, leading to a decline in the loan prime rate (LPR). In 2022, the weighted average interest rate of newly issued corporate loans was 4.17%, representing a decrease of 34 basis points as compared with the previous year, which effectively reduced the financing cost of the real economy. In terms of structural monetary policy, the People's Bank of China launched structural monetary policy tools in 2022 with focus on technological innovation, inclusive pensions, transportation and logistics. These policies were designed to channel funds precisely towards key areas and underdeveloped sectors while increasing financing support for major projects, which aimed to stimulate investments and stabilize the economy, making a positive contribution to shoring up the economic fundamentals. As at the end of 2022, the balance of broad money (the "M2") recorded a year-on-year increase of 11.8%, representing an increase of 2.8 percentage points as compared with the end of the previous year. The amount of new loans amounted to RMB21.31 trillion, representing a year-on-year increase of RMB1.36 trillion. The stock of social financing recorded a year-on-year increase of 9.6% while the increase of social financing scale amounted to RMB32.01 trillion, which was RMB668.9 billion higher than the increase of last year.

1.2 REGULATORY ENVIRONMENT

In 2022, the financial leasing industry continued to refine regulatory policies and the overall regulatory system was further optimized. To further facilitate with the implementation of the "Provisional Measures for the Supervision and Administration of Financial Leasing Companies (《融資租賃公司監督管理暫行辦法》)" issued in June 2020 and standardize the off-site supervision behavior of local financial supervision departments, the CBIRC promulgated the "Rules and Procedures for the Off-site Supervision of Financial Leasing Companies (《融資租賃公司非現場監管規程》)" in February 2022, pursuant to which a set of standardized national off-site supervision regulations had been formulated and a better implementation of various regulatory systems had been promoted. In 2022, as local financial regulatory authorities continued to issue and update regulatory regulations related to the financial leasing industry, the localized characteristics of financial leasing industry regulation further emerged. With more refined regulatory mechanism and clearer regulatory requirements, high-quality financial leasing companies that attach importance to the construction of compliance and internal control and the cultivation of a compliance culture have received more support from regulatory policies, resulting in the continuous improvement of the business environment.

1.3 INDUSTRY CONDITIONS

At present, there are challenges and opportunities for the financial leasing industry in China as it represented a crucial period of standardized supervision and registration and accelerated elimination, transformation and optimization. Affected by various factors such as slowdown of macroeconomic growth, stricter regulatory environment, serious business homogeneity and intensified market competition, the number of financial leasing companies and the balance of leasing contracts in China has been reduced. As at the end of 2022, the total number of financial leasing companies in China (excluding single project companies, branches, SPV subsidiaries, local leasing enterprises in Hong Kong, Macau and Taiwan, companies acquired overseas and companies that have officially withdrawn from the market (including enterprises listed as inaccessible or having abnormal operation by local regulators)) was approximately 9,840, representing a decrease of 2,077 financial leasing companies from 11,917 financial leasing companies as at the end of 2021. The balance of finance lease contracts in China amounted to approximately RMB5,850.0 billion, representing a decrease of approximately RMB360.0 billion, or 5.8%, from RMB6,210.0 billion as at the end of 2021. The decrease reflected that the business continued to shrink in general.

On the other hand, the impact of the epidemic has gradually weakened and the external environment has recovered. The national industrial structure continued to upgrade, and the national strategy of expanding domestic demand has been firmly implemented. The industry environment has continuously optimized under the guidance of strong supervision. As a result, China's financial leasing industry has ushered in more growth opportunities and broader space for development. 2023 is the first year to fully implement the spirit of the "20th CPC National Congress". Stabilizing and stimulating policies will be implemented at the same time to actively promote economic recovery and development. Digital economy upgrades, urban function upgrades, energy structure upgrades and equipment manufacturing upgrades will become new growth drivers that will effectively facilitate the economic growth. Benefiting from its "financing with capital + goods" feature and close integration with the real economy, the financial leasing industry has fully capitalized on the advantages of integrated industry and financing to support the high-quality development of the economy. With the implementation of the "emission peak and carbon neutrality" strategy and the continuous upgrade of industrial structure, the performance of the financial leasing industry in terms of green development and ESG has received increasing attention. In addition, as regulatory policies for the financial leasing industry were issued and specific regulatory measures were implemented by the CBIRC and local financial regulatory departments, the industry environment will be substantially regulated, downsized and optimized. Leasing companies that are operated in the form of shell corporations or inaccessible will be extensively eliminated while large financial leasing companies committed to their principal business with sound governance and strong capabilities will have greater competitive edges. As a result, industry concentration will further increase, marking a new phase for the financial leasing industry with steady and quality development.

2. DEVELOPMENT REVIEW

In 2022, in strict accordance with its party building principles, the Group consolidated its efforts in fulfilling its corporate responsibilities. Based on its overall deployment, initiatives and advance planning, the Group made precise preparation for the pandemic prevention and control and the resumption of operation and development. To align with national strategies and policies, the Group focused on its principal business and fully capitalized on fin-tech in ensuring stable growth in terms of business scale and revenue.

CONSOLIDATING ITS CORPORATE SOCIAL RESPONSIBILITY IN STRICT ACCORDANCE WITH PARTY BUILDING PRINCIPLES

The Group continued to strengthen the leading role in party building. Based on our thorough understanding of the essence of the "20th CPC National Congress", we formulated exceptional party building initiatives to facilitate high-quality development. We further stepped up our branding efforts based on party building initiatives and carried out in-depth learning and education of party history. With our development extensively led by party building initiatives, we were able to synchronize the planning, deployment and implementation of our party building efforts with our operation, taking the business development of the Group to a new level. In 2022, our party building brand, "Unitrust's Commitment to the Party and Future Growth" (恒心向黨 恒信前行), was honored as the "Outstanding Brand of Party Building Culture of State-owned Enterprises in Shanghai" (上海國企黨建文化品牌). Our four party branches were recognized as star-rated party building brands of Haitong Securities (海通證券星級黨建品牌).

The Group further improved its ESG management level and fulfilled its corporate social responsibility, in an effort to realize the organic combination of economic benefit and social value. It has been our consensus to develop in a sustainable manner. Taking "sustainable business" and "responsible citizenship" as our pillars and "stable operation" as our cornerstone, we collaborated and integrated with all our stakeholders to create value together. We focused on our principal business and capitalized on fin-tech to serve the real economy and promote the business development of green finance and inclusive finance. Charity activities were regularly carried out for the community under the leadership of our Haitong Unitrust volunteer team which is committed to community volunteer services. We donated money and supplies to the government offices of the streets where we operate and the frontline workers for pandemic prevention through the unified Shanghai financial system. Other charity activities included participating in the "First Greeting" campaign (第一聲問候) in Huangpu District and providing online assistance for the underprivileged youth groups. We also assisted the rural revitalization of our partnered regions and the development of Pu'er, Yunnan Province, which is a targeted region supported by Huangpu District. In 2022, the extensive ESG management practice of the Group was honored with "ESG Governance Demonstration Award" at the seventh session of the "Social Value Co-creation" Excellent Case Selection of Corporate Social Responsibility in China (第七屆「社會價值

共創」中國企業社會責任卓越案例評選「ESG治理示範獎」). The high-end equipment manufacturing department of MSE Subsidiary was honored with the title, "Shanghai SASAC System Youth Civilization" (上海市國資委系統青年文明號), for its provision of financial support in the amount of over RMB45 billion for medium-, small- and micro-sized enterprises through direct leasing of over 90% of its products.

TAKING VARIOUS MEASURES IN RESPONSE TO THE IMPACT OF THE PANDEMIC AND ENSURING STABLE INCREASE IN BUSINESS SCALE AND REVENUE

The Group took on an active role in the coordination of both pandemic prevention and control and operation development. Efforts were made to implement all the precautionary measures at the new stage of the pandemic, ensuring ongoing business development of the Company. Fully capitalizing on our regional advantages, the Group established a dual command mechanism during the pandemic to enable uninterrupted provision of financial services under the two command centres which complemented and coordinated with each other. The Company adhered to its principle of providing financial services to the real economy, and formulated and implemented "Fifteen Anti-pandemic Initiatives" (支持抗疫十五條舉措). Special support approval policies were introduced to quality customers from niche, digital economy, green and low carbon and other industries. Green approval channels were provided for customers in the medical, public health and other anti-pandemic related sectors. The Company also arranged for deferral of lease payment, reduction or exemption of handling fees, and other measures to support its customers with good credit standing such as MSEs and companies engaged in logistics and essential business in overcoming difficulties during the pandemic. These efforts reflected our high sense of responsibility to consolidate our financial support for the development of the real economy. In addition, we made good use of fin-tech to increase application of online office and safeguard our stable and smooth offline business operation. As at December 31, 2022, the total assets and total equity of the Group amounted to RMB124,513.7 million and RMB18,826.7 million, respectively, representing increases of 8.5% and 6.9%, respectively, as compared with the end of last year. In 2022, the total revenue of the Group amounted to RMB8,524.6 million, representing a year-on-year increase of 4.2%. The profit for the year of the Group amounted to RMB1,532.9 million, representing a year-on-year increase of 8.5%. In 2022, the average yield of interest-earning assets of the Group was 6.81%, and the weighted average return on net assets was 9.16%.

SERVING THE REAL ECONOMY AND FURTHER OPTIMIZING ASSETS STRUCTURE

Adhering to its objective of serving the real economy and continuously implementing its development strategies of "One Body, Two Wings" and "One Big and One Small", the Group put efforts in developing localized segments and strengthening operation and layouts of regional markets. With further optimized assets structure, the Group was able to maintain the consistency among its stable asset allocation, development insights and profitability. Aligning with the industrial policies of China and in response to the macroeconomic challenges, the Group deepened its cooperation with quality customers from strategic emerging sectors, including "high-end equipment manufacturing", "green leasing" and "digital economy". The Group continued to strengthen the cooperation with "niche" customers. During the year, the total investment in related high-end equipment manufacturing business exceeded RMB14 billion, accounting for nearly 20% of the total investment. Capturing the development opportunity of the green and low carbon industry, the Group actively promoted the cross-sector joint innovation of green leasing. During the year, the total investment in green leasing business exceeded RMB13 billion. The proportion of the investment increased to nearly 20% of the total investment gradually. The accumulative investment in green leasing for the last five years amounted to over RMB35 billion. The Group actively explored the integration of industry and finance in the digital economy, and the annual investment of the digital economy business exceeded RMB2 billion. As part of its efforts to establish a financial ecosystem for its industry chains covering MSEs, the Group provided financial solutions to support the quality and efficient development of MSEs through stronger head-to-head strategic cooperation with major enterprises along the industry chains and higher competitiveness empowered by fin-tech in different business segments. With the accelerated establishment of green travel ecosystem, the Group created an ecosystem business layout that integrates the entire transportation and logistics industry chain based on the five major business scenarios, namely modern logistics, shared travel, energy consumption for commute, business vehicles and smart urban distribution. In 2022, in alignment with our emphasis on the business development of IDC in the new economic sector, the 2022 High-end Computational Power Ecosystem Summit (2022算力生態高端峰會) was held in September to conduct in-depth discussion about the integration of computational power, industry and finance in an effort to support the continuous enhancement of date centers' computation power. To capture the new favorable opportunities arising from the digital economy, we organized the Huangpu Branch Campaign in Shanghai of the 2022 Global Digital Business Conference (2022全球數商大會上海黃浦分會場活動) in November, at which financial initiatives were discussed to promote the high-quality development of the digital economy. The Group's MSE Subsidiary received the "Inclusive Finance Excellent Service Award" (普惠金融卓越服務獎) at the fourth session of the Shanghai Inclusive Finance Forum (上海普惠金融論壇) in 2022. Moreover, UniFortune Subsidiary joined hands with Dongfeng Motor Corporation to launch "Dongfeng Fengshen E70" (東風風神E70), a customized model of new energy green shared operating vehicle co-branded by Haitong Unitrust. In 2022, the Group invested RMB71,574 million in its business, representing a year-on-year increase of 7.2%.

INNOVATIVE AND EXPANDED FINANCING CHANNELS TO STEADILY REDUCE FINANCING COST

The Group continued to introduce innovative financing instruments to expand its diversified and stable financing channels for supporting its business development with quality funds. Furthermore, the Group maintained its liquidity risk at a reasonable and controllable level, further optimized its debt structure and improved the efficiency of capital utilization, achieving a virtuous cycle of assets and liabilities. As at December 31, 2022, the Group established credit relationships with 76 financial institutions and obtained accumulative credit lines of approximately RMB116.3 billion, of which the unused credit balance was approximately RMB55.9 billion. In response to the government policies of China, we directed the funds from the capital market and financial institutions to MSEs, technological innovation, green and low carbon and other fields based on our mission of supporting the real economy with financial services. In 2022, we successfully issued innovative financing instruments such as the industry's first technological innovation corporate bonds, the industry's first technological innovation renewable corporate bonds, and the first ESG-linked syndicated loan in Shanghai. In addition, we were honored as the "Outstanding Promoter of Asset Securitization Business" (資產證券化業務優秀發起人) and the "Outstanding Promoter of Asset Securitization Innovative Business" (資產證券化創新業務優秀發起人) of the Shanghai Stock Exchange for 2022. We won the Best Original Equity Institutional Owner Award under the "Golden Laurel Award" in the 7th Annual China Asset Securitization Conference of CNABS (第七屆CNABS中國資產證券化年度獎「金桂獎」之最佳原始權益人機構獎). The No. 2 green private placement asset-backed commercial papers of our leasing business (租賃2號綠色定向資產支持商業票據) was honored as the "Major Green and Low-carbon Project under the Lending and Leasing Model" (銀租聯動重大綠色低碳項目) while our ESG-linked syndicated loan project was awarded the "Green and Low-carbon Innovation Case" (綠色低碳創新案例) of the lending and leasing cooperation model.

In 2022, the Group recorded a financing withdrawal of RMB73.5 billion. Indirect financing withdrawals of RMB37.5 billion were realized through channels such as syndicated loans, bank bilateral loans and bank acceptance bills, accounting for 51% of the total financing amount; direct financing of RMB36.0 billion were realized mainly through channels such as corporate bonds, medium-term notes, short-term financing bonds, ultra short-term financing bonds, asset-backed securities, asset-backed notes, and overseas US dollar bonds, accounting for 49% of the total financing amount. With innovative financing tools and expanded financing channels, the financing cost of the Company was effectively reduced. In 2022, average cost of interest-bearing liabilities of the Group was 3.73%, representing a decrease of 0.20 percentage points as compared with last year.

CONTINUOUSLY ENHANCING COMPREHENSIVE RISK MANAGEMENT MECHANISM AND EFFECTIVELY IMPROVING RISK PREVENTION

The Group continued to develop its comprehensive risk management mechanism based on its prudent risk management philosophy. Efforts were made to improve the soundness of its management system and organizational structure, the reliability of its information system, the professionalism of its talent team, the effectiveness of its risk response mechanism and the diversity of the risk management culture. These efforts ensured the asset safety of the Company and the predictability, controllability and acceptability of its overall risks. Emphasis was placed on its data-based, quantification-oriented, research-driven and fin-tech-enabled features to extensively enhance its risk management capability and level. It also embedded various risk management throughout its business operations and promoted the establishment of risks models and approval systems based on big data analysis, which further enhanced its risk identification and quantitative risk management capabilities. In 2022, we developed new risk management systems, such as management reporting statements, risk management supervision statements and risk concentration statements. These systems enabled the standardization, online accessibility and visualization of data, resulting in higher efficiency of quantitative risk management data processing and transmission. Through improving the top-level design of ESG risk management, formulating the ESG risk management system and developing ESG risk management tools, we were able to better identify and assess the ESG risks of our customers, improve our ESG management level and enhance our overall risk prevention capabilities.

Integration of data analysis and IoT with the asset management system was deepened to enable the centralized management of asset data and the identification of risks. We continued to explore the application of technology in asset monitoring and risk alert. A project risk warning system was established to cover quantifying financial risks, public opinion risks, inspection risks and leased assets risks. Through enriching the GPS warning model of IoT, diversifying equipment bracelet warning models, and introducing external public opinion systems and other measures, we carried out online analysis based on different perspectives and smart technologies. These measures allowed us to further enhance our real-time monitoring and proactive risk management capability of leased assets for MSEs and retail customers. In addition, the Group strengthened its risk prevention and handling capabilities through proactive asset allocation management, response initiatives for and mitigation of risk events, exploring innovative asset disposal methods and increased efforts in asset disposals. During the Reporting Period, the asset quality of the Group remained stable in general and the NPA ratio was maintained at a safe and controllable level with stronger risk resistibility. As at December 31, 2022, the NPA ratio and allowance coverage ratio for NPAs were 1.09% and 252.02%, respectively.

STRENGTHENING COMPLIANCE MANAGEMENT OF ALL EMPLOYEES AND CONSOLIDATING COMPLIANCE GOVERNANCE AND INTERNAL CONTROL CULTURE

The Group continued to adhere to its compliance concept of "compliance in operation and of all employees and the management, as compliance is vital for creation of value and fundamental for the existence of the Company". The compliance management was strengthened in various aspects such as improvement of systems and regulations and supervision of implementation of systems to enhance its compliance governance. The Group continued to pay close attention to the changes in regulatory policies on financial leasing industry and proactively took measures to be in compliance with regulatory requirements. The Group also optimized the system management mechanism to strengthen the integration of business and policies. Through continuous measures such as compliance review, compliance inspections and compliance assessment, the implementation of various systems was supervised and the principle of managing employees and events in accordance with the systems was established. Moreover, the Group attached great importance to compliance training for all employees and issued "Monthly Regulatory News" (《監管動態月報》) regularly to provide them with guidance on understanding the latest regulations, policies and regulatory issues. Special training programs and discussion about risk cases were carried out to improve the compliance awareness of employees. In 2022, the Group fully launched the "Compliance and Internal Control" Campaign and effectively rolled out implementation plans to constantly consolidate and strengthen all employees' awareness of compliance and internal control. As part of the campaign, the Company further improved its compliance and internal control management to reinforce its compliance and internal control culture and enabled its high-quality development.

FURTHER PROMOTING THE REFORM OF BRANCHES IN DIFFERENT CATEGORIES AND LEVELS AND FULLY UTILIZING FINTECH TO ENHANCE SERVICE QUALITY AND EFFICIENCY

The Group continued to extensively promote the reform of branches and optimized its appraisal standards for different categories and levels. Local resources allocation was further improved to consolidate the manpower and ensure the smooth development of local business of the Company. In 2022, we established the Hainan branch to further expand our national marketing network. We optimized and adjusted our business structure, coordinated our unique and localized business solutions and facilitated the transformation and upgrade of operating management system, so as to enhance management efficiency and professional level of our departments, branches and subsidiaries. The Group focused on improving the online and automation level of the entire business process. Capitalizing on financial technology, the development of the Company was fully empowered to improve quality, lower costs and enhance efficiency. With the optimization of online customer acquisition mini-program, the Group was able to complete preliminary business introduction procedures online. Remote real-name verification and due diligence interview were completed through the video due diligence mini-program. A risk control system was established to promptly generate customer evaluation reports and automatically review customer access qualifications. The increased application of electronic signing platform enabled mobile signing services for business contracts. Efforts were also made to formulate and optimize the operation procedures to boost business investment efficiency. The intelligent data model of capital management and cost control was further optimized to better match financing capacity with our business and enhance the effective use of capital. It developed a mobile office terminal in order to provide convenient mobile office and business reporting portal. The Group also extensively empowered all of its business procedures with digital technology, including business introduction, project due diligence, credit approval, contract signing and fund usage. These initiatives ensured highly-efficient business operation of the Company.

3. OPERATION OUTLOOK

In 2023, under the challenges brought by international geopolitical conflicts, rising trend of anti-globalization, significant impact of the pandemic and other factors, the economic growth of Europe, the United States and other developed economies will be slowing down more significantly and the global economy may encounter recession. Nonetheless, the economic recovery progress of China is remarkable as the pandemic prevention and control measures have been further optimized and productions and operations have resumed. 2023 is the first year to fully implement the spirit of the "20th CPC National Congress". China will remain cautious when developing its economy and will fully and precisely uphold its new development principles. The formation of a new development pattern, which is based on systematic approach, compliance and innovation, will be accelerated to boost market confidence. The strategy to boost domestic consumption will be effectively integrated with the deepening of supply-side reform in order to facilitate the measures to stabilize growth, employment and commodity prices. The Chinese government will maintain proactive fiscal policy and prudent monetary policy, and strengthen the adjustment and control of macro policies. Special bonds, discount loans and other instruments will be optimized to maintain sufficient liquidity at reasonable level. To refine the implementation of industrial policies, efforts will be put to the transformation and upgrade of traditional industries and the development of digital economy. R&D, application and promotion of new energy, artificial intelligence, bio-manufacturing, green development and low carbon, quantum computing and other advanced technologies will be accelerated. Financial institutions will be guided to increase support to the MSEs, technological innovation and green and low carbon and other fields. Measures to achieve "emission peak and carbon neutrality" will be taken orderly so as to promote the steady growth of the economy of China in terms of quality and scale.

In 2023, the Group will focus on leading the Company's development with high-quality party building and pay close attention to the domestic and international economic conditions. Capitalizing on the market opportunities arising from the policies of "emission peak and carbon neutrality" and the "14th Five-Year Plan", and adhering to the principle of serving the real economy with financial services, the Group will increase support to industries encouraged by the government policies, such as "high-end equipment manufacturing", "green leasing" and "digital economy" and accelerate the industrialization of the Company. With optimizing asset allocation, the Group will further expand the regional market network across the country and improve the operating performance in local markets. It will also strengthen the risk prevention and control and asset management to enhance its asset quality. The Group will further expand the application of fin-tech, improve its level of digitalization and fully leverage the advantage of "financing with capital + goods" to support the development of real economy with high quality. The Group will continue to maintain its leading position and competitive strengths through the following strategies to promote professional, high-quality and sustainable development of the Company.

IMPLEMENTING THE "ONE BIG AND ONE SMALL" CUSTOMER DEVELOPMENT STRATEGY TO OPTIMIZE ASSET LAYOUT OF THE COMPANY

We will continue to implement "one big and one small" customer development strategy and focus on the provision of leasing services. We will strengthen the prediction and direction of our asset allocation plans and continue to refine the asset structure to form a service model centered on leased assets. We will also develop the ecosystem for circulation of leased assets to facilitate the circulation of leased assets with high quality. These initiatives will enable us to provide diverse and integrated services for LMEs, MSEs and retail customers. As such, we will be able to maintain a continuous growth in terms of scale and profit and achieve credit risk diversification.

In respect of large-sized enterprise customers and large projects, we will grasp the opportunity arising from the industrial upgrade, "14th Five-Year Plan" and dynamic shifts in domestic and overseas demands, and put more efforts in projects which are encouraged by government policies and favored by the capital market. We will also increase business investments in strategic emerging sectors such as "high-end equipment manufacturing", "green leasing" and "digital economy" and continue to develop innovate business models and new leasable areas. We will further tap into the financial leasing needs of high-quality enterprises in the advanced manufacturing, energy and environmental protection and engineering and construction industries to promote high-end, intelligent and green development of the manufacturing industry in order to facilitate the industrial modernization of China. Meanwhile, we will enhance the stickiness of our partners in the ecosystem and strengthen business cooperation with leading companies in the industrial sectors in order to form an industrial cluster with competitive advantages. In response to the national objectives of "emission peak and carbon neutrality", we will increase business investment in green leasing and provide support to high-quality companies engaging in green development and environmental protection in terms of value creation and financial resources, so to facilitate the transformation and upgrade of green and environmental protection industries.

In respect of the MSE & retail business, we will further leverage our distinctive characteristics of "financing with capital + goods". In response to the government policy to support the MSEs and real economy, we will focus on promoting the upgrade of manufacturing to mid-to-high end, establishing industries with special features and facilitating the optimization and upgrade of the traditional manufacturing sector based on the development pattern that covers multiple regions and the whole industry. We will adopt innovative asset allocation, upgrade the financial products, identify high-quality MSEs which have strong competitiveness and establish an ecosystem with financial services covering the upstream and downstream businesses for the MSEs and equipment manufacturers in support of their healthy growth. In addition, leveraging the changing needs from customers in the era of digitalization, we plan to refine our digital financial services through the application of fin-tech and digitization and further explore innovative businesses to develop a new digital system for inclusive finance.

ENHANCING SALES AND SERVICE NETWORK BY "ONE BODY, TWO WINGS" BUSINESS DEVELOPMENT MODEL TO FACILITATE THE COLLABORATION AMONG OUR BUSINESS UNITS

In order to provide services with local characteristics to support the local economies and entities, we will further improve our sales and service network by "One Body, Two Wings" business development model, strengthen the regional sales and service system and promote innovation based on local characteristics with focus on regional finance lease market so as to support the regional economic development. We will continue to strengthen the collaboration among our business headquarters, branches and subsidiaries as well as cross-region and cross-industry collaboration through launching businesses and products with "Unitrust Partners (恆信夥伴)", and further consolidate our products, channels and customer resources, enhance business supervision and establish business support teams. In order to consolidate our regional professional leasing brand, we will push forward the reform of our branches with reasonable allocation of resources by capitalizing on the synergy of regional collaboration, so as to support the long-term business growth and breakthroughs of the Group.

Our business headquarters will strategically focus on their target industries and customer market and continue to lead our key projects in strategic emerging industries such as “high-end equipment manufacturing”, “green leasing” and “digital economy”. More efforts will be put into the business development in green leasing such as photovoltaic energy storage, sewage treatment, hazardous waste treatment and sanitation integration. We will strengthen the exchange and cooperation with other leasing companies and business partners to develop an ecosystem for financial leasing and achieve mutual growth and win-win situation. Focusing on the key industries supported by the national strategies, we will conduct research on the trend and logic of industry-related finance, adjust product structure based on the market and industry trend, explore suitable leasing opportunities with stable growth potential and build the advantages of integrated industry and financing.

We will conduct studies on the changes in external environment and regional markets and establish new branches when suitable opportunities arise to expand the regional marketing network. The building of regional professional teams will be consolidated in order to strengthen the strategic positioning of branches in the regional markets. We promote innovation based on local characteristics and conduct researches on the local development trend of the financial leasing industry to expand and diversify our business coverage. We strive to build up our core strengths in regional markets in order to provide flexible and efficient services for regional ecosystem. We will also enhance the strategic collaboration between our business headquarters and local teams by establishing joint offices and further improve the marketing capability and efficiency of branches in order to support the regional economic development and maintain our leading advantage in the national marketing network. In addition, we will further optimize the division of management in branches to boost their organic growth momentum. We will also pursue regional business expansion and promote the transformation and upgrade of our operation management system in order to develop our branches as the benchmark financial leasing companies in the regional markets.

Our subsidiary will actively follow the national policy of inclusive finance and continue to optimize the branch network and consolidate local resources. We will further improve and promote cooperation model with leading companies in order to develop and maintain relationship with high-quality customers effectively. MSE Subsidiary will adhere to the vision of “focusing on industrial ecosystem and supporting MSEs” and focus on expanding the scale in key regions including the Yangtze River Delta, Greater Bay Area and Bohai Rim so to develop a nationwide inclusive business network. Continuous efforts will be made to maintain our core competitive strengths in the products and services for high-end equipment manufacturing business. We will develop the cooperation model with major manufacturers of construction engineering, expedite the development of MSE healthcare business, and promote the development and introduction of new products and models. Based on the combination of “standard products and special products” characteristics, we will strengthen the in-depth cooperation with equipment manufacturers. The IoT system for devices and bracelets will also be optimized, which will create online, standardized and process-oriented full-cycle MSE businesses, and comprehensively improve the quality and efficiency of inclusive financial services. UniFortune Subsidiary will put more efforts in business innovation with focus on five major businesses, namely modern logistics, shared travel, energy consumption for commute, business vehicles and smart urban distribution, and explore business opportunities in different sectors by leveraging our advantages in transportation and logistics in terms of experience, resources and network in order to establish an ecosystem business layout covering all industry chains of transportation and logistics. Based on the “emission peak and carbon neutrality” strategy of China, we will further consolidate the cooperation with major suppliers, manufacturers, industry associations and data platforms of the modern logistics industry. Continuous efforts will be made to facilitate the strategic cooperation with leading shared travel service aggregation platforms and further improve the integration of green energy layout, including photovoltaic, energy storage, charging piles, exchange stations and battery banks. The Company will seize the opportunities arising from the substitution of fuel-powered business vehicles with electric vehicles to activate customer resources. Innovative designs and business plans will be introduced to promote the effective development and collaboration among the urban distribution and logistics and warehousing businesses. The Company will also further establish a new layout for the transformation and development of transportation and logistics businesses.

PROMOTING DEVELOPMENT OF INDUSTRIAL ECOSYSTEM CLOSELY BASED ON THE CONCEPT OF "ONE HAITONG" (一個海通)

Pursuing to the vision of "One Haitong Unitrust" (一個海通恆信) based on the concept of "One Haitong" (一個海通), we will promote the regular collaboration of internal business units, consolidate the resources and services of all branches and subsidiaries, business departments and business headquarters in product development, channel marketing and customers to explore organic growth momentum and capitalize on the synchronized development to develop core competitive strengths of the Group for high-quality development in a customer-oriented approach. In addition, we will continue to implement joint marketing strategies with Haitong Securities and its branches and subsidiaries. We will share our customer resources, further enhance the marketing and customer service capacities of our integrated financial services and products of "leasing + investment banking + investment" and provide services to customers throughout the whole business cycle in order to improve the value of services in the whole industry chain for Haitong's customers.

Through complying with the best practices of investment banking and continuing our in-depth research on the industrial polices and development trend during the "14th Five-Year Plan" period, we will closely follow the objectives of "emission peak and carbon neutrality" of the government and the structural adjustment of low-carbon transformation and industrial upgrade. We will accelerate the progress of industrialization and focus on developing businesses related to people's livelihood, green development and low carbon and technological innovation. Leveraging resources from the extensive customer and investor base of the investment banking system of Haitong Securities, we will fully support the establishment of an industrial ecosystem which boosts the interaction of stakeholders, suppliers and core enterprises. To capture the opportunities arising from the new economic development pattern under domestic general circulation, supply-side structural reform, digitalization of industries, energy reform, reform of the science and technology management system, as well as other policies for strengthening the strategic technology capability of China, we will create an innovative business model for the development of a professional and specialized leasing business to inject new impetus to business growth. We will increase our support to the real economy, in particular to MSEs, technological innovation, green and low carbon and other customers, as well as the development of niche enterprises and expand our business coverage in strategic emerging industries including "high-end equipment manufacturing", "green leasing" and "digital economy". We will provide comprehensive financial services to customers engaging in data centers, cloud computing, artificial intelligence and other segments by making use of information technology and push forward the development of "Eastern Data and Western Computing" industry chain. We also intend to provide services to financial institutions and government departments in respect of the investment, establishment and maintenance of data centers with high quality.

CONTINUOUSLY IMPROVING THE COMPREHENSIVE RISK MANAGEMENT SYSTEM TO ENHANCE THE COMPLIANCE MANAGEMENT LEVEL OF THE GROUP

We emphasize risk management in our daily operations. We will further improve our risk management system and implement accurate identification, prudent assessment, dynamic supervision and timely response to the risks exposed to our business activities. We will continue to strengthen our data-based and quantitative risk researches to optimize and refine the risk management model. We will establish effective risk management system and procedures to strengthen our active risk management capability for all staff in all aspects and procedures. The main target of our overall risk management is to ensure that the risk exposure of our operation is predictable, controllable and acceptable in order to safeguard our assets. We will adopt a proactive approach on risk management to ensure the smooth business operation with acceptable risks, and facilitate reasonable allocation and use of assets with risk exposure to achieve sustainable business development. By standardizing asset inspection and review, the tracking and analysis of assets allocation will be enhanced. Technologies will also be applied in asset management. We will improve the IoT monitoring system to strengthen our risk prevention and solution. We will also strictly maintain our bottom line for risk control to ensure the safety of assets of the Group while enhancing the allocation and management of assets.

We will continue to refine and delineate the functions and responsibilities of Risk Management Committee of the Board, the risk management department, the credit review & approval department, the commerce department, the compliance department, the audit department, the disciplinary inspection office and other relevant departments to implement synchronized management of key processes in our risk management practices, and formulate and refine the relevant risk management systems to further enhance the overall risk management and control of the Company. We will pay close attention to the changes in regulatory environment, strictly implement industry regulatory policies, take greater initiative in risk management and compliance management according to the spirit of the "Compliance and Internal Control Culture Construction" Campaign, adopt effective management measures including risk monitoring, prevention and responses and improve our risk management and compliance governance. In order to strengthen the internal control and compliance management level of the Group, we will continue to optimize the subsidiary management and investment management systems so as to facilitate efficient coordination between subsidiary management, investment management, corporate governance and compliance management.

CONTINUOUSLY OPTIMIZING FINANCING STRUCTURE AND ADHERING TO THE BOTTOM LINE OF LIQUIDITY RISK

We will further diversify the financing sources and expand the scope and level of cooperation with financial institutions to enhance our financing channels and product structure. In compliance with the "14th Five-year Plan" and the industrial policy of "Made in China 2025 (中國製造2025)", we will actively broaden our funding sources and effectively reduce financing cost by exploring innovative financing instruments in order to direct more high-quality funds to high-end equipment manufacturing, green leasing, digital economy, inclusive finance and other sectors. We will continue to enhance our net capital, optimize financing structures and match financing capacity with our business. We will actively explore various direct financing instruments in the capital markets, reasonably adjust the proportion of direct financing and indirect financing, and improve the liabilities structure of the Group.

Based on the comprehensive risk management system, we will adhere to the bottom line of liquidity risk through liquidity risk management indicators, stress test, sensitivity analysis, monitoring of maturity mismatch of assets and liabilities and other tools. We will further enhance the development of assets and liabilities management system and refine the internal systems and processes related to assets and liabilities management. Forward-looking management of financing plans will be stepped up to ensure that our funds can meet the safety, liquidity and profitability requirements. We will continue to upgrade our system, strengthen the proactive management of liquidity risk through the application of fin-tech and enhance the funding management efficiency.

EXPANDING THE COVERAGE OF FIN-TECH TO IMPROVE THE LEVEL OF DIGITALIZATION AND THE APPLICATION OF SMART TECHNOLOGIES

We will continue to increase our investment in the development of fin-tech, expand the application of big data, IoT, artificial intelligence and other technologies in different business scenarios, and develop and optimize the online customer acquisition, sales behaviors management, customer management, pre-approval and automatic approval modules, asset management system and other procedures. Fin-tech will be applied in all aspects of our operation management. We will comprehensively improve the business procedures and operation efficiency of the Group by making full use of technologies. Our funding, financial and data transmission and business report analysis systems will be further enhanced. We will also develop and promote the mobile systems and capacity enhancement mechanism in order to improve the operation management efficiency and operation quality of the Group and speed up the progress of digitalization.

Moreover, we will strive to establish an integrated data management platform that can provide one-stop services with the use of smart technologies in order to provide data services covering the whole service chain from data access, data processing, automated development scheduling, data analysis and mining and data governance. Big data modelling techniques will be applied to enhance our risk modelling. We will actively develop and expand the application of the IoT. Through the application tools such as vehicle GPS system and leased device bracelet, we will step up the management of leased objects and implement online real-time asset monitoring and risk alert. Our system-assisted decision-making of risk control will be based on big data analysis and mining and rules of risk alert will be refined to improve our risk management. Information and digital systems will be successively upgraded, followed by the application of smart technologies, in order to boost the rapid business growth of the Group by making use of fin-tech.

CONSOLIDATING THE TALENT ECHELON TEAMS TO FACILITATE HARMONIC AND SUSTAINABLE DEVELOPMENT

Our experienced and visionary management team and advanced talent management system are important competitive advantages which can ensure our continual growth and essential competitiveness as a leader in the PRC financial leasing industry. Following the spirit of the 2022 Talent Work Conference, we will implement talent management in compliance with the principles of the party and designate the primary responsible body of talent team construction. Structure of the talent teams will be enhanced with equal emphasis on quality and scale, and a comprehensive talent training system will be established to support the development of the Company. Incentives and constraints will be implemented equally to motivate the vitality of talents. Through continuous improvement of our talent competency model and optimization of our external talent pool, we will identify professional elites with diverse backgrounds. We will further refine our human resources management system and optimize the training management system. By implementing talent cultivation projects including "Sailing Plan (遠航項目)" for management training, "Set Sail Plan (啓航項目)" for supervisor training, "Spark Plan (星火計劃)" and "Sailing Operation (揚帆行動)" for young talents and "Star of Haitong Unitrust (恒信之星)" for management trainees in order to develop a talent pool, improve organizational efficiency and leverage the functions of human resources, we will create a more diverse, open and fair professional career platform for employees, and iterate and optimize our staff structure, so as to push forward the development of our talent echelon teams. We will continue to implement the three-pillar management mechanism and HRBP model to provide better support for our business development. In addition, competitiveness of our remuneration system and employee incentive system will be further enhanced to attract, retain and motivate top quality talents in the industry to join the Company and facilitate internal communication of talents, which in turn will enhance talent cohesion. We will continue to implement the position system and promotion mechanism. Efforts will be made to establish career growth platform and reasonable and unimpeded career development path. We will also optimize long-term performance assessment and remuneration incentive system. These initiatives will enable our employees to achieve their career development and benefit from the long-term development of the Company, unleash the energy and dedication of human resources, and improve the sense of accomplishment and fulfilment of employees.

4. ANALYSIS OF CONSOLIDATED STATEMENT OF PROFIT OR LOSS

4.1 OVERVIEW OF CONSOLIDATED STATEMENT OF PROFIT AND LOSS

For the year ended December 31, 2022, the Group realized a total revenue of RMB8,524.6 million, representing an increase of 4.2% as compared with RMB8,177.6 million last year, and realized a profit of RMB1,532.9 million, representing an increase of 8.5% as compared with RMB1,412.9 million last year.

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

	For the year ended December 31,		
	2022	2021	Changes
	(RMB in millions)		
Total revenue	**8,524.6**	8,177.6	4.2%
Net investment gains or losses	**(59.8)**	34.2	(274.9%)
Other income, gains or losses	**437.3**	818.9	(46.6%)
Loss from derecognition of financial assets measured at amortised cost	**(40.1)**	(77.5)	N/A
Total revenue and other income, gains or losses	**8,862.0**	8,953.2	(1.0%)
Depreciation and amortisation	**(369.8)**	(422.8)	(12.5%)
Staff costs	**(854.3)**	(738.6)	15.7%
Interest expenses	**(3,541.9)**	(3,527.8)	0.4%
Other operating expenses	**(388.8)**	(534.1)	(27.2%)
Impairment losses under expected credit loss model	**(1,591.9)**	(1,713.0)	(7.1%)
Other impairment losses	**(59.1)**	(85.3)	(30.7%)
Total expenses	**(6,805.8)**	(7,021.6)	(3.1%)
Profit before income tax	**2,056.2**	1,931.6	6.5%
Income tax expense	**(523.3)**	(518.7)	0.9%
Profit for the year	**1,532.9**	1,412.9	8.5%
Earnings per share attributable to ordinary shareholders of the Company (Expressed in RMB Yuan/share)			
— Basic	**0.17**	0.16	
— Diluted	**N/A**	N/A	

4.2 REVENUE

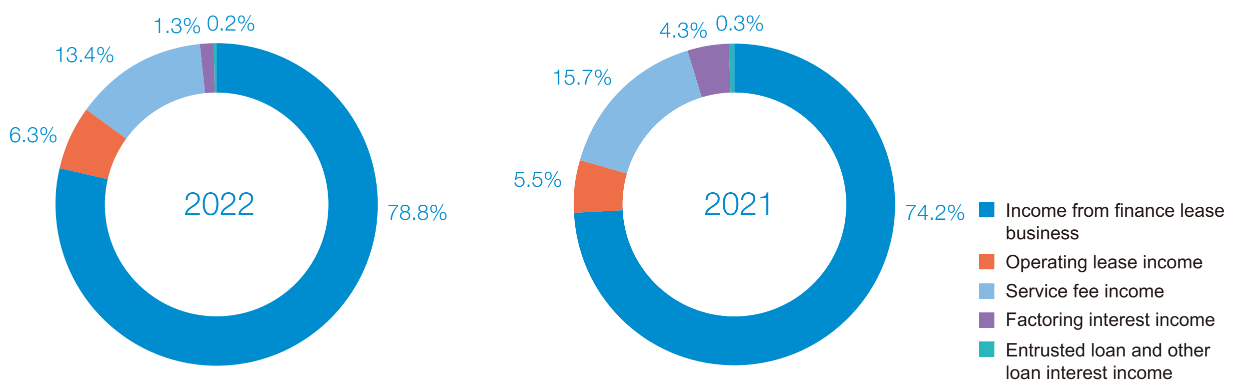
For the year ended December 31, 2022, the total revenue of the Group increased by 4.2% from RMB8,177.6 million last year to RMB8,524.6 million, which was mainly due to the increases in our income from finance lease business and operating lease income as compared with last year.

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

	For the year ended December 31,				
	2022	**% of total**	2021	% of total	Changes
	(RMB in millions, except percentages)				
Income from finance lease business[Note]	**6,711.1**	**78.8%**	6,066.5	74.2%	10.6%
Operating lease income	**540.1**	**6.3%**	451.1	5.5%	19.7%
Service fee income	**1,142.4**	**13.4%**	1,281.7	15.7%	(10.9%)
Factoring interest income	**111.2**	**1.3%**	355.7	4.3%	(68.7%)
Entrusted loan and other loan interest income	**19.8**	**0.2%**	22.6	0.3%	(12.4%)
Total revenue	**8,524.6**	**100.0%**	8,177.6	100.0%	4.2%

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

Percentage of total revenue



For the year ended December 31, 2022, income from finance lease business and the operating lease income increased. Service fee income decreased which was mainly due to lower demand for consultation services from customers as a result of the pandemic. Factoring interest income decreased which was mainly due to the elimination of the factoring business in accordance with the relevant regulatory requirements. As at December 31, 2022, the present value of interest-earning assets of factoring business was nil.

CUSTOMER ANALYSIS

We have a broad customer base. Our customers include LME customers, enterprises with leading industrial position, MSE(Note) & retail customers.

The following table sets forth the average present value of interest-earning assets, interest income and average yield of each type of customer for the years indicated:

	For the year ended December 31,					
	2022			2021		
	Average present value of interest-earning assets(1)	Interest Income(2)	Average yield(3)	Average present value of interest-earning assets(1)	Interest Income(2)	Average yield(3)
	(RMB in millions, except percentages)					
LME customers	**74,492.3**	**4,726.3**	**6.34%**	59,787.1	3,564.2	5.96%
MSE & retail customers	**26,034.4**	**2,115.8**	**8.13%**	35,098.5	2,880.6	8.21%
Total	**100,526.7**	**6,842.1**	**6.81%**	94,885.6	6,444.8	6.79%

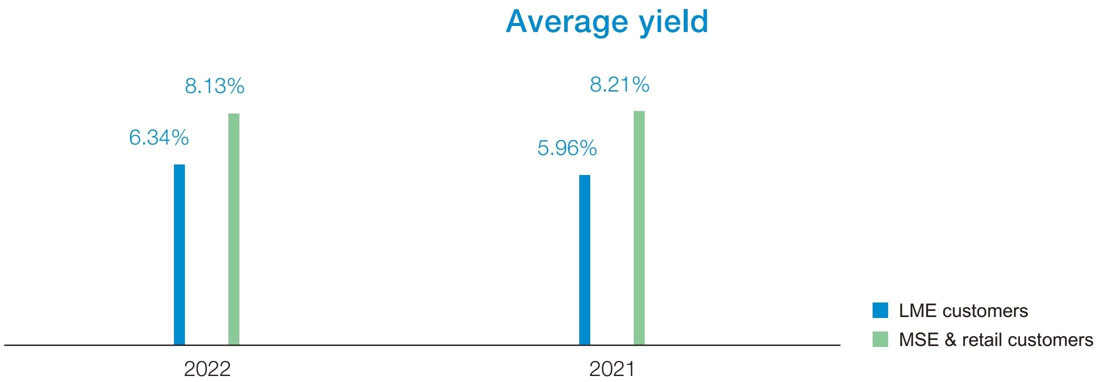
(1) Represents the average balance before deduction of allowances for impairment losses of receivables from finance lease business, factoring receivables, as well as entrusted loans and other loans at the end of last year and the middle and the end of the year.

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

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

(Note) MSEs refer to enterprises which have annual revenue of RMB100 million or below and have entered into any contract with us in a net financing amount of no more than RMB10 million. The amount of RMB10 million mentioned above is consistent with the limit of loans to MSEs stipulated by the CBIRC (single credit of no more than RMB10 million (inclusive)).

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



For the year ended December 31, 2022, the average yield of the Group was 6.81%, representing a slight increase as compared with 6.79% last year.

INDUSTRY ANALYSIS

The Group's business is widely distributed in various industries, including advanced manufacturing, urban utilities, energy and environmental protection, transportation & logistics, construction, culture and tourism, healthcare and other industries. We are committed to serving our customers' diverse needs for financial and advisory services and diversifying our sources of income.

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

	For the year ended December 31,					
	2022			2021		
	Average present value of interest-earning assets(1)	Income(2)	Comprehensive yield(3)	Average present value of interest-earning assets(1)	Income(2)	Comprehensive yield(3)
	(RMB in millions, except percentages)					
Advanced manufacturing	23,459.0	2,105.7	8.98%	22,317.3	1,891.6	8.48%
Urban utilities	17,818.5	1,309.9	7.35%	10,254.1	796.4	7.77%
Energy and environmental protection	13,425.7	972.7	7.25%	9,926.0	799.0	8.05%
Transportation & logistics	17,730.2	1,335.6	7.53%	27,195.2	2,235.2	8.22%
Construction	11,618.0	974.3	8.39%	10,089.0	792.8	7.86%
Culture and tourism	6,755.9	466.4	6.90%	5,213.3	421.8	8.09%
Healthcare	6,482.9	580.9	8.96%	5,152.0	456.0	8.85%
Others	3,236.5	239.0	7.38%	4,738.7	333.7	7.04%
Total	100,526.7	7,984.5	7.94%	94,885.6	7,726.5	8.14%

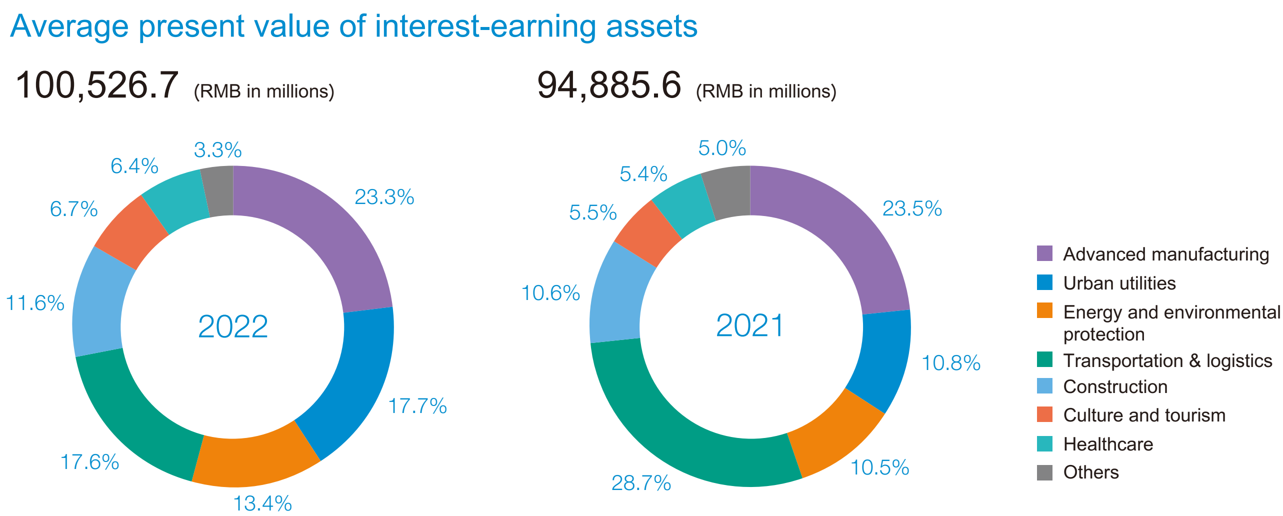
(1) The average balance before deduction of allowances for impairment losses of receivables from finance lease business, factoring receivables, as well as entrusted loans and other loans at the end of last year and the middle and the end of the year.

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

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

ANALYSIS BY AVERAGE PRESENT VALUE OF INTEREST-EARNING ASSETS

The average present value of interest-earning assets of the Group increased by 5.9% to RMB100,526.7 million in 2022 from RMB94,885.6 million in 2021. Remarkable achievements have been made in the promotion of business in, among urban utilities, energy and environmental protection, culture and tourism, healthcare, construction and advanced manufacturing, etc. The average present value of interest-earning assets for urban utilities, energy and environmental protection, culture and tourism, healthcare, construction and advanced manufacturing increased significantly by 73.8%, 35.3%, 29.6%, 25.8%, 15.2% and 5.1%, respectively, as compared with last year.



ANALYSIS BY COMPREHENSIVE YIELD

The comprehensive yield of the Group decreased by 0.20 percentage points to 7.94% in 2022 as compared with 8.14% last year. The decrease was mainly attributable to the fact that the Group optimized the industrial layout, introduced high-quality customers through offering preferential treatments and duly adjusted our profit expectation from end-customers.

ADVANCED MANUFACTURING

In accordance with Chinese government's economic and industrial policies, such as the "14th Five-Year Plan", supply-side structural reform and the "Made in China 2025" initiative, we offer comprehensive financing services for customers in manufacturing industry to finance their equipment purchases and provide liquidity for their fixed assets. We serve customers across a wide range of manufacturing sectors, including high-end equipment manufacturing, new material, new generation of information technology and telecommunications. We target manufacturing customers with growth potential and recognized by capital market and encouraged by government policies. Our customers consist primarily of large-and medium-sized state-owned enterprises at central and local levels, listed companies, innovative privately-owned enterprises engaging in manufacturing and strategic emerging industries and outstanding medium-, small-and micro-sized enterprises with growth potential. In addition, leveraging our advantages of customer resources, we have gradually built a win-win industrial ecosystem to share resources with our partners in order to expand our business scale in emerging manufacturing sectors and improve our competitive strength.

In 2022, the average present value of interest-earning assets attributable to our business in the advanced manufacturing industry amounted to RMB23,459.0 million, accounting for 23.3% of the average present value of interest-earning assets of the Group and representing an increase of 5.1% as compared with RMB22,317.3 million last year.

In 2022, the income from the advanced manufacturing industry amounted to RMB2,105.7 million, representing an increase of 11.3% as compared with RMB1,891.6 million last year, which was primarily due to the fact that the Group pursued its aspirations to serve the real economy and expanded the business in advanced manufacturing area including MSEs.

The comprehensive yield of the advanced manufacturing industry increased from 8.48% in 2021 to 8.98% in 2022, which was primarily due to the fact that the Group pursued its aspirations to serve the real economy and capitalized on its advantages to provide a wide range of services for high-quality customers of the advanced manufacturing industry to further enhance the experience of customer services.

URBAN UTILITIES

We provide financial leasing and other services to urban utilities enterprises engaging in the construction and management of smart city, urban public facilities and ports and the construction and operation of water supply infrastructure. We mainly serve urban utilities enterprises which have regional advantages and sound operating performance and are engaged in business related to people's livelihood. Leveraging our extensive experience and quality services, we provide diversified financial solutions for our customers in such sectors.

In 2022, the average present value of interest-earning assets attributable to our business in the urban utilities industry amounted to RMB17,818.5 million, accounting for 17.7% of the average present value of interest-earning assets of the Group and representing an increase of 73.8% as compared with RMB10,254.1 million last year.

In 2022, the income from urban utilities industry amounted to RMB1,309.9 million, representing an increase of 64.5% as compared with RMB796.4 million last year. The increase was mainly because the Group increased its support for the urban utilities industry in response to the opportunities arising from the accelerated development of new infrastructure and the resumption of public infrastructure construction in various regions as infrastructure became an important means of stabilizing growth amid the impact of multiple unexpected factors in 2022.

The comprehensive yield of the urban utilities industry decreased from 7.77% in 2021 to 7.35% in 2022, which was primarily due to the fact that the national macro monetary policy remained moderately loose, the average market interest rate decreased, customer financing channels expanded, and market competition was fierce. In addition, the Group also strengthened its business investment in high-quality customers.

ENERGY AND ENVIRONMENTAL PROTECTION

We provide financial leasing and other services to enterprises engaging in sectors including power supply and transmission, heating and gas supply, new energy battery manufacturing, hazardous waste treatment, environmental governance and comprehensive energy utilization. Such enterprises mostly have comprehensive qualifications, leading technologies and extensive experiences in their respective fields. We provide quality financial services to quality customers in the industries, especially customers in the new energy industry, to support the development of energy and environmental protection enterprises and facilitate the implementation of the national strategy of "emission peak and carbon neutrality".

In 2022, the average present value of interest-earning assets attributable to our business in the energy and environmental protection industry amounted to RMB13,425.7 million, accounting for 13.4% of the average present value of interest-earning assets of the Group and representing an increase of 35.3% as compared with RMB9,926.0 million last year.

In 2022, the income from the energy and environmental protection industry amounted to RMB972.7 million, representing an increase of 21.7% as compared with RMB799.0 million last year. The increase was mainly due to expansion of the Group in the business of clean energy such as photovoltaics, new energy battery manufacturing, sewage disposal and environmental recovery according to the national strategy of "emission peak and carbon neutrality".

The comprehensive yield of the energy and environmental protection industry decreased from 8.05% in 2021 to 7.25% in 2022. The decrease was mainly due to the fact that the Group focused on serving real economy and proactively expanded the customer base with leading technology, sound operation and high competitive edge in the energy and environmental protection industry in response to the national policies.

TRANSPORTATION & LOGISTICS

We strictly followed the national strategies and policies and proactively responded to the national strategic target in achieving "emission peak and carbon neutrality". In line with the development of the green energy business, the Group tapped into its resource advantages and further developed specific sectors including modern logistics, shared travel, energy consumption for commute, business vehicles and smart urban distribution, safeguarding the sustainable development of transportation with financial leasing services and the high-quality development of the transportation industry in China. Capitalizing on our extensive industry experiences, quality business layout, extensive market channels and well-developed service network, we had comprehensive ecosystem resources in place. Through our local sales teams across nearly 30 provinces, autonomous regions, municipalities, and special administrative regions in China, we established long-term cooperation relationships with major domestic manufacturers, shared travel and freight traffic platforms, leading vehicle dealers, high-quality logistics enterprises and leading new energy vehicle manufacturing enterprises. These cooperation relationships allowed us to create a financial solution for the whole ecosystem based on the automotive industry chain, providing customers with personalized and diversified one-stop financial services.

In 2022, the average present value of interest-earning assets attributable to our business in the transportation & logistics industry amounted to RMB17,730.2 million, accounting for 17.6% of the average present value of interest-earning assets of the Group and representing a decrease of 34.8% as compared with RMB27,195.2 million last year.

In 2022, the income from transportation & logistics industry amounted to RMB1,335.6 million, representing a decrease of 40.2% as compared with RMB2,235.2 million last year. The decrease was mainly due to the timely adjustments to its product portfolio through reducing the investment in fuel vehicle financing leases for individual customers, increasing efforts to expand its business in areas such as freight transportation and shared travel, and exploring and strengthening its investment in new energy vehicle financing leases, in view of the trend of local regulatory policies and market changes of the industry. As a result of the adjustments to the business development of this industry, the average present value of interest-earning assets and the income from the industry decreased.

The comprehensive yield of the transportation & logistics industry decreased from 8.22% in 2021 to 7.53% in 2022. The decrease was mainly due to the intense market competition, and the efforts of the Group in optimizing the product portfolio of this industry, raising the barriers to customer entry and maintaining its bottom line for risk control.

CONSTRUCTION

We provide financial leasing and other services to enterprises engaging in the engineering and construction of public service facilities and construction material business. The equipment we lease to construction customers primarily includes various construction equipment. Our construction enterprise customers mostly are central and localized state-owned enterprises and listed companies, of which have top-grade or first-grade qualifications for engineering and construction.

In 2022, the average present value of interest-earning assets attributable to our business in the construction industry amounted to RMB11,618.0 million, accounting for 11.6% of the average present value of interest-earning assets of the Group and representing an increase of 15.2% as compared with RMB10,089.0 million last year.

In 2022, the income from the construction industry amounted to RMB974.3 million, representing an increase of 22.9% as compared with RMB792.8 million last year. The increase was mainly due to the expansion of our business in this industry.

The comprehensive yield of the construction industry increased from 7.86% in 2021 to 8.39% in 2022, which was primarily attributable to the continuous optimization of asset structure and provision of a wide range of services, through designing structured financial service plans based on the strengths of the Group in response to the increased demand of the industry for business transformation and standardized operation.

CULTURE AND TOURISM

We provide financial leasing and other services to enterprises engaging in cultural education, tourism and hotel operation. The cultural education customers we serve cover higher education, secondary education (including vocational education), basic education and other market segments. The equipment we lease to our customers mainly comprises teaching equipment, network equipment and multi-media equipment. Following the policies of the government to develop vocational education, we will put further efforts in developing customers in high schools and vocational education institutions. Grasping the opportunities arising from the recovery and restructuring of tourism industry in the post-epidemic period, we have cooperated with large cultural tourism and hotel groups to develop high-quality customers with effective management, growth potential, and good credit standing which have been able to survive the epidemic. We are committed to providing services to meet the capital needs of these customers for their daily operation, business expansion and service upgrades.

In 2022, the average present value of interest-earning assets attributable to our business in culture and tourism industry amounted to RMB6,755.9 million, accounting for 6.7% of the average present value of interest-earning assets of the Group and representing an increase of 29.6% as compared with RMB5,213.3 million last year.

In 2022, the income from culture and tourism industry amounted to RMB466.4 million, representing an increase of 10.6% as compared with RMB421.8 million last year. The increase was mainly due to the expansion of our business in this industry.

The comprehensive yield of culture and tourism industry decreased from 8.09% in 2021 to 6.90% in 2022. The decrease was mainly because the Group actively expanded strategic cooperation with large cultural, tourism and hotel groups and established long-term business relationship with quality customers.

HEALTHCARE

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

We continually expand our healthcare customer base to capture opportunities presented by the increasing market demands for customized and high-end healthcare services. We plan to continue to provide financial leasing and other services to hospitals, dental and optometry clinics and other healthcare institutions to meet their financing needs related to medical equipment procurement, working capital and facility construction. In addition, through our localized marketing network, we strategically provide financial leasing and other services and products to medical laboratory center, imaging center, rehabilitation centers, physical examination centers, pharmaceutical and medical devices suppliers with sound credit record and growth potential to support their funding demand for business expansion and equipment upgrades.

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

In 2022, the average present value of interest-earning assets attributable to our business in the healthcare industry amounted to RMB6,482.9 million, accounting for 6.4% of the average present value of interest-earning assets of the Group and representing an increase of 25.8% as compared with RMB5,152.0 million last year.

In 2022, the income from the healthcare industry amounted to RMB580.9 million, representing an increase of 27.4% as compared with RMB456.0 million last year. The increase was primarily due to higher investment in the industry and the increase in the number of finance lease contracts in response to the policies and guidelines of the Chinese government.

The comprehensive yield of the healthcare industry increased from 8.85% in 2021 to 8.96% in 2022, primarily because we optimized the structure of our healthcare products to cater for the diverse needs of customers. As a result, the comprehensive yield of the new business increased.

OTHER INDUSTRIES

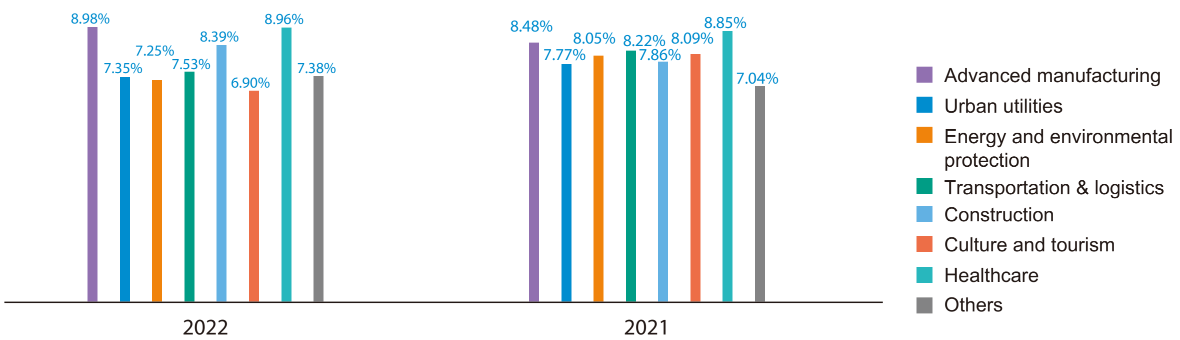
In addition to the abovementioned industries, we also provide finance lease and advisory services to quality customers in sectors of other leasing and commercial services, wholesale and retail, technology services, etc.

In 2022, the average present value of interest-earning assets attributable to our business in other industries was RMB3,236.5 million, accounting for 3.3% of the average present value of interest-earning assets of the Group and representing a decrease of 31.7% as compared with RMB4,738.7 million last year.

In 2022, the income from other industries amounted to RMB239.0 million, representing a decrease of 28.4% as compared with RMB333.7 million last year.

The comprehensive yield of other industries increased from 7.04% in 2021 to 7.38% in 2022. We optimized product structure to satisfy the diversified needs of customers continuously.

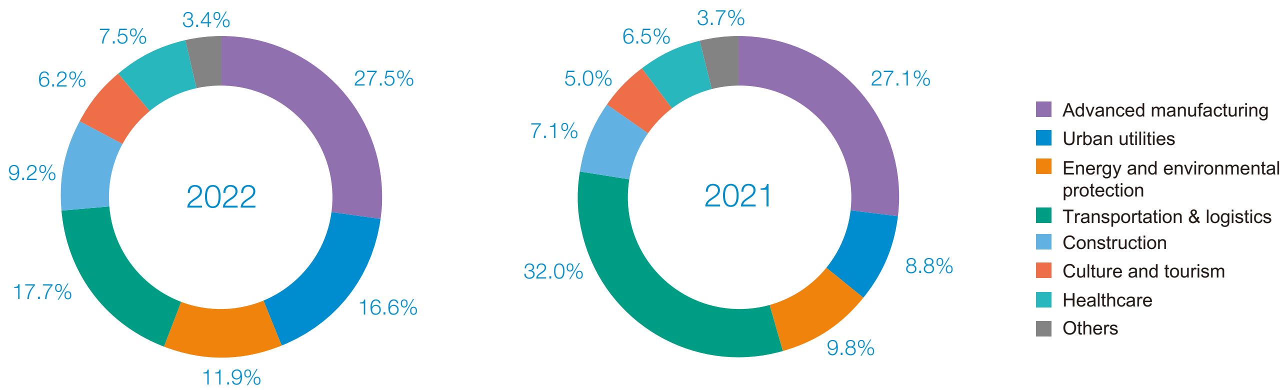
Comprehensive yield by industry



INCOME FROM FINANCE LEASE BUSINESS

Income from finance lease business of the Group increased by 10.6% to RMB6,711.1 million for the year ended December 31, 2022 as compared with last year. Income from finance lease business accounted for 78.8% of the total revenue of the Group.

Income from finance lease business by industry



The Group proactively adapts to the recent economic development, insists on serving the real economy, deeply develops localized segments, continuously optimizes the structure of asset allocation, and strengthens the investment in industries such as urban utilities, construction, culture and tourism, energy and environmental protection, healthcare, advanced manufacturing, etc. For the year ended December 31, 2022, income from industries such as urban utilities, construction, culture and tourism, energy and environmental protection, healthcare and advanced manufacturing increased steadily by 108.3%, 44.4%, 35.9%, 34.1%, 27.3% and 12.1%, respectively, as compared with last year.

OPERATING LEASE INCOME

Our operating lease income increased by 19.7% to RMB540.1 million for the year ended December 31, 2022 as compared with last year. The net lease yield of the aircraft operating lease business of the Group was 6.87%.

As at December 31, 2022, the Group owned 17 aircraft (including seven Airbus narrow-body aircraft, two Airbus widebody aircraft and eight Boeing narrow-body aircraft) with a total net carrying amount of approximately US$760.1 million (or approximately RMB5,293.5 million). In addition, as at December 31, 2022, no undertaking of purchase of aircraft was made by the Group. In 2022, the Group did not dispose of any aircraft assets. The following table sets forth the details of the aircraft operating lease business:

	Number of aircraft		
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

SERVICE FEE INCOME

We provide various advisory services to finance lease customers. The Group's service fee income decreased by 10.9% to RMB1,142.4 million for the year ended December 31, 2022 as compared with last year. Our service fee income was mainly generated from construction, advanced manufacturing, urban utilities, energy and environmental protection and transportation & logistics.

FACTORING INTEREST INCOME

We provide factoring services to companies in various industries, including construction, advanced manufacturing and transportation & logistics. Our factoring interest income decreased by 68.7% to RMB111.2 million for the year ended December 31, 2022 as compared with last year, which was mainly due to the elimination of factoring business according to the relevant regulatory requirements.

ENTRUSTED LOAN AND OTHER LOAN INTEREST INCOME

Our entrusted loan and other loan interest income decreased by 12.4% to RMB19.8 million for the year ended December 31, 2022 as compared with last year. The decrease was mainly because the Group did not enter into new entrusted loans and other loans business.

OTHER INCOME, GAINS OR LOSSES

For the year ended December 31, 2022, other income, gains or losses of the Group decreased by 46.6% to RMB437.3 million as compared with last year. The decrease was mainly due to the income from disposal of office buildings and aircraft and the recognition of income from government outsourcing business in 2021.

4.3 EXPENSES

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

	For the year ended December 31,		
	2022	2021	Changes
	(RMB in millions)		
Depreciation and amortisation	**369.8**	422.8	(12.5%)
Staff costs	**854.3**	738.6	15.7%
Interest expenses	**3,541.9**	3,527.8	0.4%
Other operating expenses	**388.8**	534.1	(27.2%)
Impairment losses under expected credit loss model	**1,591.9**	1,713.0	(7.1%)
Other impairment losses	**59.1**	85.3	(30.7%)
Total expenses	**6,805.8**	7,021.6	(3.1%)

The total expenses of the Group amounted to RMB6,805.8 million for the year ended December 31, 2022, representing a decrease of 3.1% as compared with RMB7,021.6 million last year.

DEPRECIATION AND AMORTISATION

The depreciation and amortisation of the Group decreased by 12.5% to RMB369.8 million for the year ended December 31, 2022 from RMB422.8 million last year, which was mainly due to the decrease in average present value of cost of property and equipment, right-of-use assets as compared with last year.

STAFF COSTS

The staff costs of the Group increased by 15.7% to RMB854.3 million for the year ended December 31, 2022 from RMB738.6 million last year, primarily due to the increase in headcount in line with our overall business growth.

INTEREST EXPENSES

The interest expenses of the Group amounted to RMB3,541.9 million for the year ended December 31, 2022, which remained stable as compared with RMB3,527.8 million last year.

OTHER OPERATING EXPENSES

Other operating expenses of the Group decreased by 27.2% to RMB388.8 million for the year ended December 31, 2022 from RMB534.1 million last year. The decrease was mainly due to the costs of certain government outsourcing business in 2021.

IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL

Impairment losses under expected credit loss model of the Group decreased by 7.1% to RMB1,591.9 million for the year ended December 31, 2022 from RMB1,713.0 million last year. The decrease was mainly due to the fact that the asset structure was further optimized as compared with last year as the Group remained committed to providing leasing services as its main business and proactively studying the macro economy and further promoting the construction of industrial ecosystem in line with the national policies. In addition, the Group strengthened the deep integration of fin-tech and asset management system, refined the risk early warning system, improved the active risk management capability, and actively managed new risk assets while reducing existing ones. During the Reporting Period, the Group continuously increased asset disposal to consolidate its asset quality. Various indicators continued to be stable.

4.4 PROFIT FOR THE YEAR

Profit for the year of the Group increased by 8.5% to RMB1,532.9 million for the year ended December 31, 2022 from RMB1,412.9 million last year. The increase was primarily due to the fact that the Group overcame the difficulties arising from the complex and severe pandemic condition, focused on the primary leasing business and optimized the asset structure in strict adherence to the national industrial development strategy, and achieved steady growth of total revenue. The Group also continued to promote risk management and improve its risk management level by making use of fin-tech, ensuring the long-term stability of assets and controllable risk of the Company.

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

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

	For the year ended December 31,	
	2022	2021
	(RMB in millions, except percentages)	
Interest income[1]	6,842.1	6,444.8
Interest expenses[2]	3,312.7	3,313.3
Net interest income	3,529.4	3,131.5
Average present value of interest-earning assets[3]	100,526.7	94,885.6
Average balance of interest-bearing liabilities[4]	88,826.2	84,318.9
Average yield of interest-earning assets[5]	6.81%	6.79%
Of which: Finance lease business[6]	6.85%	6.96%
Average cost of interest-bearing liabilities[7]	3.73%	3.93%
Net interest spread[8]	3.08%	2.86%
Net interest margin[9]	3.51%	3.30%

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

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

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

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

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

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

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

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

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

In 2022, the Group recorded net interest spread and net interest margin of 3.08% and 3.51%, respectively, representing increases of 0.22 percentage points and 0.21 percentage points as compared with last year, respectively. The increases were mainly due to the fact that incomes from assets remained stable and reasonable as the Group continued to optimize its businesses. In addition, as the macro monetary policies of China remained moderately loose in 2022, the Group had effectively reduce its financing costs by continuously optimizing its debt structure and expanding new financing channels and innovative financing tools. As a result, the average cost of interest-bearing liabilities decreased.

5. ANALYSIS OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

5.1 OVERVIEW OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	As at December 31,		
	2022	2021	Changes
	(RMB in millions)		
Non-current assets			
Property and equipment	7,307.2	5,463.2	33.8%
Right-of-use assets	45.6	120.3	(62.1%)
Intangible assets	17.8	15.2	17.1%
Receivables from finance lease business(Note)	54,950.4	42,792.0	28.4%
Loans and receivables	5.1	575.2	(99.1%)
Financial assets at fair value through profit or loss	107.4	128.1	(16.2%)
Deferred tax assets	1,676.9	1,578.0	6.3%
Other assets	2,778.5	2,202.0	26.2%
Total non-current assets	66,888.9	52,874.0	26.5%

	As at December 31,		
	2022	2021	Changes
	(RMB in millions)		
Current assets			
Receivables from finance lease business(Note)	49,058.0	45,768.6	7.2%
Loans and receivables	343.4	5,806.7	(94.1%)
Other assets	1,186.0	1,497.3	(20.8%)
Accounts receivable	197.0	48.7	304.5%
Financial assets at fair value through profit or loss	606.0	1,996.3	(69.6%)
Derivative financial assets	113.4	11.1	921.6%
Cash and bank balances	6,121.0	6,738.6	(9.2%)
Total current assets	57,624.8	61,867.3	(6.9%)
Total assets	124,513.7	114,741.3	8.5%
Current liabilities			
Borrowings	25,672.5	25,796.4	(0.5%)
Derivative financial liabilities	76.2	231.2	(67.0%)
Accrued staff costs	363.4	286.2	27.0%
Accounts payable	201.7	34.6	482.9%
Bonds payable	23,883.1	23,409.9	2.0%
Income tax payable	679.5	743.8	(8.6%)
Other liabilities	6,684.3	7,060.3	(5.3%)
Total current liabilities	57,560.7	57,562.4	0.0%
Net current assets	64.1	4,304.9	(98.5%)
Total assets less current liabilities	66,953.0	57,178.9	17.1%
Equity attributable to owners of the Company			
— Ordinary shareholders	16,139.5	15,151.4	6.5%
— Other equity instrument holders	2,642.9	2,384.5	10.8%
Non-controlling interests	44.3	83.7	(47.1%)
Total equity	18,826.7	17,619.6	6.9%

	As at December 31,		
	2022	2021	Changes
	(RMB in millions)		
Non-current liabilities			
Borrowings	23,146.8	18,145.2	27.6%
Bonds payable	18,670.2	14,865.4	25.6%
Deferred tax liabilities	13.4	16.3	(17.8%)
Other liabilities	6,295.9	6,532.4	(3.6%)
Total non-current liabilities	48,126.3	39,559.3	21.7%
Total equity and non-current liabilities	66,953.0	57,178.9	17.1%
Net assets per Share (RMB yuan/share)	1.96	1.84	

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

5.2 ASSETS

The Group's total assets increased by 8.5% from RMB114,741.3 million as at the end of last year to RMB124,513.7 million as at December 31, 2022, which was mainly due to the expansion of leasing business scale driven by the business development efforts with a focus on providing leasing business.

INTEREST-EARNING ASSETS

Our interest-earning assets include receivables from finance lease business and loans and other receivables. As at December 31, 2022, the carrying amount of receivables from finance lease business of the Group was RMB104,008.4 million, representing an increase of 17.4% from RMB88,560.6 million as at the end of last year.

RECEIVABLES FROM FINANCE LEASE BUSINESS

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

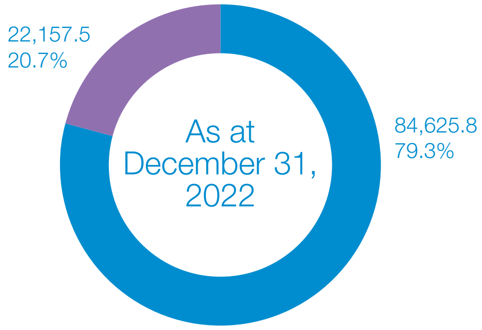
	As at December 31,		
	2022	2021	Changes
	(RMB in millions)		
Gross amount of receivables from finance lease business	**118,015.9**	100,014.2	18.0%
Less: Unearned income	**(11,232.6)**	(9,119.3)	23.2%
Present value of receivables from finance lease business	**106,783.3**	90,894.9	17.5%
Less: Loss allowance	**(2,774.9)**	(2,334.3)	18.9%
Carrying amount of receivables from finance lease business	**104,008.4**	88,560.6	17.4%

CUSTOMER ANALYSIS

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

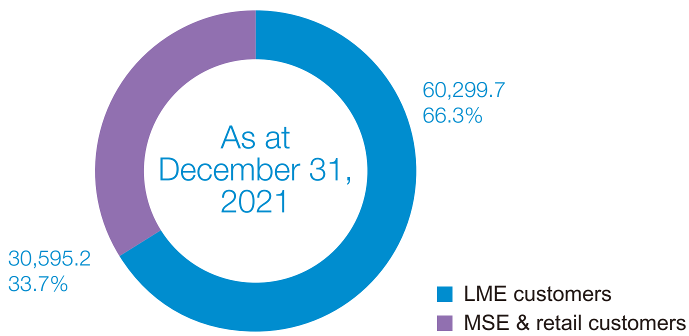
As at December 31, 2022

(Unit: RMB in millions, except percentages)



As at December 31, 2021

(Unit: RMB in millions, except percentages)



We reduced the investment in fuel vehicle financing leases for individual customers. As at December 31, 2022, the present value of finance lease receivables from LME customers of the Group increased as compared with the end of last year.

INDUSTRY ANALYSIS

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

	As at December 31,			
	2022		2021	
	Amount	**% of total**	Amount	% of total
	(RMB in millions, except percentages)			
Advanced manufacturing	**24,612.3**	**23.0%**	22,498.7	24.8%
Urban utilities	**19,963.9**	**18.7%**	13,442.4	14.8%
Energy and environmental protection	**16,469.8**	**15.4%**	11,205.9	12.3%
Transportation & logistics	**14,625.5**	**13.7%**	21,366.5	23.5%
Construction	**14,505.6**	**13.6%**	7,754.7	8.5%
Culture and tourism	**7,328.6**	**6.9%**	5,761.3	6.3%
Healthcare	**7,216.9**	**6.8%**	5,587.4	6.1%
Others	**2,060.7**	**1.9%**	3,278.0	3.7%
Total	**106,783.3**	**100.0%**	90,894.9	100.0%

In 2022, we strived to optimize our asset allocation with a focus on key industries such as construction, urban utilities, energy and environmental protection, advanced manufacturing, healthcare and culture and tourism, and further increased support for high-quality corporate customers. As at December 31, 2022, the present value of our receivables from finance lease business from customers in the construction, urban utilities, energy and environmental protection, advanced manufacturing, healthcare and culture and tourism industries increased by RMB6,750.9 million, RMB6,521.5 million, RMB5,263.9 million, RMB2,113.6 million, RMB1,629.5 million and RMB1,567.3 million, respectively, as compared to those as at the end of last year.

MATURITY PROFILE

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

	As at December 31,			
	2022		2021	
	Amount	**% of total**	Amount	% of total
	(RMB in millions, except percentages)			
Within one year	**55,860.3**	**47.3%**	51,812.1	51.8%
More than one year but not exceeding five years	**59,731.7**	**50.6%**	47,445.8	47.4%
More than five years	**2,423.9**	**2.1%**	756.3	0.8%
Total	**118,015.9**	**100.0%**	100,014.2	100.0%

As at December 31, 2022, receivables from finance lease business due within one year accounted for 47.3% of the total gross amount of receivables from finance lease business of the Group, which slightly decreased as compared with the end of last year.

LOANS AND RECEIVABLES

Our loans and receivables include factoring receivables and entrusted loans and other loans. In 2022, the Group completed the elimination of factoring business according to the relevant regulatory requirements. As at December 31, 2022, the Group had no factoring receivables. As at December 31, 2022, the present value of our loans and receivables was RMB512.0 million, representing a decrease of 92.4% from RMB6,748.2 million as at the end of last year.

LOSS ALLOWANCE WRITE OFF

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

	For the year ended December 31,	
	2022	2021
	(RMB in millions)	
Loss allowance write off	**679.4**	661.3

The Group writes off unrecoverable non-performing assets strictly based on the accounting standards and the Group's write off policies and procedures. In 2022 and 2021, the Group's loss allowance write off for interest-earning assets was RMB679.4 million and RMB661.3 million, respectively.

PROPERTY AND EQUIPMENT

Our property and equipment include equipment held for operating lease business, property and equipment held for administrative purpose and others. As at December 31, 2022, our equipment held for operating lease business consisted of 17 aircraft. The property and equipment held for administrative purpose of the Group consisted primarily of office buildings, motor vehicles, electronic equipment, office equipment, leasehold improvements and construction in progress.

As at December 31, 2022, the carrying amount of the property and equipment of the Group amounted to RMB7,307.2 million, representing an increase of 33.8% as compared with RMB5,463.2 million as at the end of last year, which was mainly due to the purchase of properties during the year.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss mainly include equity instruments, funds, and asset management and trust plans held by the Group.

As at December 31, 2022, the carrying amount of the financial assets at fair value through profit or loss of the Group was RMB713.4 million, representing a decrease of 66.4% as compared with RMB2,124.4 million as at the end of last year, which was mainly due to the adjustment by the Group according to the position of liquidity management and market condition.

DEFERRED TAX ASSETS

As at December 31, 2022, the carrying amount of the deferred tax assets of the Group amounted to RMB1,676.9 million, representing an increase of 6.3% as compared with RMB1,578.0 million as at the end of last year, primarily due to the provision of impairment loss. In addition, the Group completed the tax filing of certain impairment loss for previous periods in 2022.

CASH AND BANK BALANCES

As at December 31, 2022, the carrying amount of the cash and bank balances of the Group was RMB6,121.0 million, representing a decrease of 9.2% as compared with RMB6,738.6 million as at the end of last year. The increase was mainly due to the adjustment made by the Group based on the overall market liquidity.

5.3 LIABILITIES

In 2022, the Group closely focused on the main line of "financial services serving the real economy" by launching innovative financing products, optimizing the debt structure and guiding funds to invest in scientific and technological enterprises, digital economy and green industries. In addition, the Group put efforts in developing diversified and stable financing channels, further strengthened good financing channel relationship and maintained the domestic credit rating of AAA. The prospect was promising. The Group achieved satisfactory development progress in both direct finance and indirect finance markets. General debt structure was further improved and funding cost was lowered.

As at December 31, 2022, the Group had total liabilities of RMB105,687.0 million, representing an increase of 8.8% as compared with RMB97,121.7 million as at the end of last year. The increase was mainly due to the increased financing scale along with the growth of business.

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

	As at December 31,		
	2022	2021	Changes
	(RMB in millions)		
Current liabilities			
Borrowings	**25,672.5**	25,796.4	(0.5%)
Derivative financial liabilities	**76.2**	231.2	(67.0%)
Accrued staff costs	**363.4**	286.2	27.0%
Accounts payable	**201.7**	34.6	482.9%
Bonds payable	**23,883.1**	23,409.9	2.0%
Income tax payable	**679.5**	743.8	(8.6%)
Other liabilities	**6,684.3**	7,060.3	(5.3%)
Total current liabilities	**57,560.7**	57,562.4	0.0%
Non-current liabilities			
Borrowings	**23,146.8**	18,145.2	27.6%
Bonds payable	**18,670.2**	14,865.4	25.6%
Deferred tax liabilities	**13.4**	16.3	(17.8%)
Other liabilities	**6,295.9**	6,532.4	(3.6%)
Total non-current liabilities	**48,126.3**	39,559.3	21.7%
Total liabilities	**105,687.0**	97,121.7	8.8%

BORROWINGS

Borrowings of the Group primarily include bank borrowings. As at December 31, 2022, the Group's borrowings amounted to RMB48,819.3 million, representing an increase of 11.1% as compared with RMB43,941.6 million as at the end of last year.

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

	As at December 31,			
	2022		2021	
	Amount	% of total	Amount	% of total
	(RMB in millions, except percentage)			
Bank borrowings	47,665.5	97.6%	41,029.4	93.3%
Other financial institutions borrowings	926.2	1.9%	1,534.9	3.5%
Lease liabilities	43.9	0.1%	125.9	0.3%
Borrowings from a related party	—	—	1,039.2	2.4%
Interests payable	183.7	0.4%	212.2	0.5%
Total	48,819.3	100.0%	43,941.6	100.0%
Analysed as:				
Current	25,672.5	52.6%	25,796.4	58.7%
Non-current	23,146.8	47.4%	18,145.2	41.3%
Total	48,819.3	100.0%	43,941.6	100.0%

As at December 31, 2022, the current borrowings accounted for 52.6% of the total borrowings, representing a decrease as compared with the end of last year, reflecting the stable financing strategies and reasonable debt structure.

BONDS PAYABLE

In 2022, the overall liquidity of the capital market remained reasonable and abundant, while the overall market interest rates decreased as compared with the end of 2021. Having considered the needs for business development and financing costs, the Group proactively utilized various direct financing tools. Through issuance of bonds, asset securitization and other products in the direct financing market continuously and alternately, the Group enriched its financing products, balanced its product maturity and diversified its financing products in different markets and maintained its cost advantage, which effectively secured funds for business growth of the Group.

Bonds payables of the Group include short-term and ultra-short-term commercial papers, asset-backed securities, asset-backed notes, fixed medium-term notes, corporate bonds and private placement notes. As at December 31, 2022, the Group's bonds payable amounted to RMB42,553.3 million, representing an increase of 11.2% as compared with RMB38,275.3 million as at the end of last year.

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

	As at December 31,			
	2022		2021	
	Amount	**% of total**	Amount	% of total
	(RMB in millions, except percentage)			
Analysed as:				
Current	**23,883.1**	**56.1%**	23,409.9	61.2%
Non-current	**18,670.2**	**43.9%**	14,865.4	38.8%
Total	**42,553.3**	**100.0%**	38,275.3	100.0%

OTHER LIABILITIES

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

As at December 31, 2022, the total other liabilities of the Group were RMB12,980.2 million, representing a decrease of 4.5% as compared with RMB13,592.7 million as at the end of last year, which was primarily due to decreased deposits from customers.

5.4 EQUITY

As at December 31, 2022, the Group had a total equity of RMB18,826.7 million, representing an increase of 6.9% from RMB17,619.6 million as at the end of last year. The change was mainly due to the profit for the year and dividend distribution of the Group in 2022.

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

	As at December 31,		
	2022	2021	Changes
	(RMB in millions)		
Equity attributable to owners of the Company			
— Ordinary shareholders	**16,139.5**	15,151.4	6.5%
— Other equity instrument holders	**2,642.9**	2,384.5	10.8%
Non-controlling interests	**44.3**	83.7	(47.1%)
Total equity	**18,826.7**	17,619.6	6.9%

6. ANALYSIS OF CONSOLIDATED STATEMENT OF CASH FLOWS

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

	For the year ended December 31,		
	2022	2021	Changes
	(RMB in millions)		
Net cash generated from/(used in) operating activities	**(8,779.9)**	(3,751.3)	N/A
Net cash generated from/(used in) investing activities	**179.8**	(339.3)	N/A
Net cash generated from/(used in) financing activities	**8,011.1**	5,516.3	45.2%
Net (decrease)/increase in cash and cash equivalents	**(589.0)**	1,425.7	(141.3%)

For the year ended December 31, 2022, net cash outflow used in operating activities amounted to RMB8,779.9 million. Cash flows in operating activities consisted primarily of cash generated from or paid for our finance lease, operating lease, factoring, entrusted loans and other loans, and advisory businesses, as well as related transactions. The net cash outflow used in operating activities in the current year increased primarily because the investment in the business of the Group increased.

For the year ended December 31, 2022, net cash inflow from investing activities was RMB179.8 million, mainly reflecting the cash received from (i) the sale of financial assets held under resale agreement; (ii) the sale of financial assets at fair value through profit or loss; (iii) the sale of financial asset measured at amortised cost; (iv) the disposal of subsidiaries; and (v) the receipt of investment gains. The aforesaid cash inflow was partially offset by (i) the purchase of financial assets held under resale agreement; (ii) the purchase of financial assets at fair value through profit or loss; and (iii) the purchase of property, equipment and intangible assets, during the year.

For the year ended December 31, 2022, net cash inflow generated from financing activities was RMB8,011.1 million, primarily due to (i) the proceeds from issuances of bonds; (ii) the proceeds from borrowings; (iii) the proceeds from issuances of other equity instruments; and (iv) the capital injection from non-controlling investors. The aforesaid cash inflow was partially offset by the repayment of bonds and borrowings, redemption of other equity instruments, payment for dividends and interest, repayment of lease liabilities and payment for the related costs during the year.

7. CAPITAL MANAGEMENT

We manage our capital to ensure that the companies under the Group is able to operate as a going concern by optimizing the structure of the debt and shareholders' equity while maximizing shareholders' return. The objective of our capital management is to ensure compliance with the relevant laws, regulations and other regulatory requirements. According to the "Provisional Measures for the Supervision and Administration of Financial Leasing Companies" (《融資租賃公司監督管理暫行辦法》) issued by the CBIRC and the "Provisional Measures for the Supervision and Administration of Financial Leasing Companies in Shanghai" (《上海市融資租賃公司監督管理暫行辦法》) issued by the Shanghai Municipal Financial Regulatory Bureau, the risk assets of financial leasing companies shall be subject to a maximum of eight times of net assets and the total risk assets shall be determined by deducting cash, bank deposits and treasury bonds from the total assets of enterprises. As at December 31, 2022, the Group did not violate any relevant laws and regulations regarding the total risk assets and net assets ratio.

8. CAPITAL EXPENDITURE

For the year ended December 31, 2022, the capital expenditure of the Group was RMB1,686.7 million, which was mainly used to purchase properties during the year.

9. RISK MANAGEMENT

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

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

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

9.1 CREDIT RISK

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

In 2022, in the face of the complicated and ever-changing domestic and global economic environments, the Company capitalized on the opportunities arising from industry restructuring of China. Efforts were also made to maintain its strategic position. We carried out all our business in an orderly manner in strict compliance with the credit risk management system and procedures of the Company to manage the credit risk of our business and our asset quality effectively. We have adopted the following measures in respect of credit risk management:

- Enhancing studies on economy environment to capture changes in policies in a timely manner

  In 2022, as the domestic economy faced various challenges, coupled with the conflicts between Russia and Ukraine and energy crisis externally as well as the resurgence of pandemic and sluggish consumption internally, the pressure of economic downturn increased. The Company has always paid close attention to the significant impact of external environment on our operating activities. As such, the Company enhanced the studies on the macro economic conditions, pandemic development and the industry condition in order to understand the bailout and favorable policies to support enterprises and industries in a timely manner, conducted researches on the short-term and long-term impacts of market demand and supply, operation of enterprises, financial support and other aspects on key industries and regions and forecasted the change and trend of credit risk in relevant industries and businesses in order to capture the development opportunities from the post-pandemic economic recovery and ensure the business operation of the Company was in compliance with the national strategic policies and catering for the market trend and industry transformation.

- Adjusting asset allocation dynamically to secure asset quality and grasp opportunities

  In 2022, facing the resurgence of COVID-19 pandemic in multiple cities across the country and the complex and changing international and domestic economic conditions, the Company conducted analysis on the external environment and set reasonable strategies for asset allocation according to its own development strategies. The Company carried out dynamic adjustments to its asset allocation in a timely manner based on factors including the pandemic impact, change in policies and reports of risk monitoring to achieve the goal of high-quality development. On the one hand, the Company strived to secure the overall asset quality of the Company. We had moderately expanded the structure of our business in less cyclical industries related to the national economy and people's livelihood that are less affected by external factors, such as new infrastructure construction, urban utilities and healthcare sectors. We fostered the business cooperation with high-quality state-owned enterprises and leading companies that have stronger risk resistance capabilities. On the other hand, the Company grasped the opportunities in strategic emerging industries that align with the national policy and boast promising development prospects. We continued to develop in strategic emerging industries such as "high-end equipment manufacturing", "green leasing" and "digital economy", and expedited the establishment of the vertically integrated industrial chain comprising electronic consumption, new energy vehicle, smart grids, new materials and other industries to create new growth momentum of the Company. Meanwhile, the Company paid close attention to the tourism, food and beverage, hospitality and other industries that are greatly affected by the pandemic. We managed the introduction of new businesses appropriately and maintained relationship with high-quality customers. Our business expansion plans were adjusted according to the pandemic development in a timely manner. In 2022, the asset foundation of the Company was more solid as the proportion of emerging industries increased and the deeply developed industries remained strong. The asset structure of the Company has been further optimized.

- Strengthening the quantitative risk management and implementing differentiated management based on risk characteristics of customers

  In 2022, the Company put greater efforts in promoting the application of credit rating, debt rating, risk pricing and limit calculation models, so as to increase the level and quality of the revenue of the Company by improving the accuracy of our quantitative risk assessment and risk management capabilities. The Company continued to implement the two-dimensional risk evaluation system of "industry + customers" monitored the development and changes in risk exposures of different industries regularly. By reviewing the analysis findings of various data from pre-lease, existing lease and post-lease stages and our assets portfolio performance, we further improved the pertinence, effectiveness and comprehensiveness of the approval policy. We also conducted special analysis and research on key development aspects and formulated risk management policy based on the risk characteristics of customers. In 2022, to advocate the concept of green finance and develop a green ecosystem based on the characteristics of the Company, differentiated review and approval policies were formulated based on the business features of energy conservation and environmental protection, distributed photovoltaic and other green industries. Special product policies for the niche market were formulated in favor of quality national niche 'small giant' enterprises and manufacturing enterprises with outstanding performance in a specific field. We also provided financial support to facilitate the transformation of business structure and energy structure.

- Improving risk investigation and post-lease management to ensure stable asset quality

  The Company's post-lease management system has comprehensive asset management policy and procedures and refined risk alert and response mechanism, and a professional asset management team is responsible for tracking and evaluating asset quality and daily monitoring. The Company also continued to explore the application of fin-tech in asset monitoring and risk alert. Through the establishment of assets management system, introduction of IoT monitoring system, development of GPS system and device tracking system, development of our own alert model and introduction of external public opinion system and other measures, we facilitated online monitoring and smart-analysis on assets in multi dimensions, which have improved our real-time alert capabilities. In 2022, considering that the unexpected outbreak of COVID-19 pandemic might have great impact on finance leasing industry in the short term, the Company continued to refine its asset management system and conducted risk investigation on assets in a timely manner. Special attention was paid to tourism, food and beverage, hospitality and other industries that were under greater impacts during the pandemic period. We conducted investigation on customers and analysed the impact of pandemic on their production, operation and cash-flow. Tailor-made policy was implemented for every customer. We have taken efficient risk identification and mitigation capability to secure the asset quality, which ensured the stability of our assets in the long run.

- Application of upgraded fin-tech to enhance the efficiency of risk management

  In 2022, the Company continued to strengthen the development of fin-tech and promoted the application of technologies in different scenarios during the pre-lease, existing lease and post-lease stages, further strengthening the capabilities of digital risk identification and management. Technological tools such as online customer acquisition mini-program, due diligence video system, pre-approval mini-program, risk control engine, pre-lease database, electronic contract signing platforms and intelligent IoT platform were developed and applied to provide online customer acquisition, channel management, remote due diligence, credit approval, pre-approval of risk, electronic contract signing, equipment monitoring and risk alert functions, which enhanced the efficiency of business process and improved the reliability of full-cycle risk management. The application of fin-tech has increased the proportion of online business process and provided the option of distanced process, which offered assistance in different dimensions and cross-authentication, improved the effectiveness of risk management and secured the smooth operation of business during the pandemic.

ASSETS QUALITY

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

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

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

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

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

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

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

	As at December 31, 2022		As at December 31, 2021	
	Amount	**% of total**	Amount	% of total
	(RMB in millions, except percentages)			
Normal	**104,264.7**	**97.18%**	94,125.4	96.40%
Special mention	**1,864.7**	**1.73%**	2,474.1	2.53%
Substandard	**708.6**	**0.67%**	520.3	0.54%
Doubtful	**433.0**	**0.40%**	490.8	0.50%
Loss	**24.3**	**0.02%**	32.4	0.03%
Total	**107,295.3**	**100.00%**	97,643.0	100.00%
NPA ratio		**1.09%**		1.07%
Allowance coverage ratio for NPAs		**252.02%**		258.80%

The Group maintained its proactive and prudent risk management and always focused on risk management in the course of operation and management. In 2022, in the face of challenges arising from the complex and changing international environment, pressure of economic downturn in China and repeated outbreak of the pandemic, the Group maintained high standards in preventing and controlling risks and managing its assets to cope with the external pressures and challenges. As at December 31, 2022, the NPA ratio was 1.09%, representing a slight increase of 0.02 percentage points as compared with the end of 2021. During the Reporting Period, the asset quality remained stable and controllable.

The Group paid great attention on risk identification and mitigation, carried out tighter asset control, more frequent inspection, timely warning report and other measures to promptly identify and mitigate project risks. As at December 31, 2022, the proportion of total interest-earning assets of the Group classified as normal was 97.18%, representing an increase of 0.78 percentage points as compared with the end of 2021, while the proportion of total interest-earning assets of the Group classified as special mention was 1.73%, representing a decrease of 0.80 percentage point as compared with the end of 2021. During the Reporting Period, the proportion of assets classified as normal had continued to increase, while the proportion of total assets classified as special mention decreased. The assets quality has been improved in general.

In the face of complicated and changing credit environment, the Group maintained reasonable sufficient allowance coverage ratio for NPAs to ensure the sustainable and healthy development of the Company. As at December 31, 2022, the coverage ratio for NPAs was 252.02%. The risk prevention ability was reliable and stable.

CREDIT RISK CONCENTRATION

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

In 2022, leveraging on its resource advantages and in compliance with the national policies and guidelines, the Company put great efforts in the development of business related to green leasing based on its strategic development, ESG system and asset allocation targets. During the year, the Company's new investment in green leasing segment including photovoltaic energy storage, green travel, and energy conservation and environmental protection exceeded RMB13 billion and the asset scale in green leasing amounted to nearly RMB19 billion, providing strong support for the healthy growth of "emission peak and carbon neutrality" related enterprises. The Company seized the development opportunities in emerging industries, vigorously promoted its business expansion in high-end equipment manufacturing, digital economy and other key areas and secured a batch of high-quality projects and customers. Amid the unexpected outbreak of severe pandemic condition in Shanghai and other cities, the Company shouldered its responsibilities and proactively coped with the situation. In order to better help local economic recovery, the Company moderately increased its supports for the development of urban utilities, healthcare and other industries which are less cyclical and related to people's livelihood. In response to the policies to support medium- and small-sized enterprises of the government and regulatory authorities, the Company actively provided quality financial services to medium- and small-sized enterprises by leveraging its advantages in their financial markets, continuously improved the scope and extent of professional support for the real economy, consolidated its asset base and optimized its asset structure.

As at December 31, 2022, advanced manufacturing, urban utilities and energy and environmental protection were the three largest industries in terms of the interest-earning asset balance and accounted for 56.8% of the total interest-earning asset balance of the Group. The concentration of the three largest industries decreased by 4.0 percentage points as compared with the end of 2021, and the control over asset concentration was sound. In 2022, in response to the national industrial development strategy to support new infrastructure construction, new energy and energy conservation and environmental protection in order to achieve "emission peak and carbon neutrality", and to provide greater support to customers in sectors such as medical institutions and urban services which play an important role in sustaining and improving people's livelihood, the Company increased asset allocation in urban utilities, energy and environmental protection and healthcare industries, which reflected the optimized industry distribution of the Group with reasonable risk diversification while maintaining the characteristics of the industries.

In terms of advanced manufacturing sector, the Company conducted studies for full implementation of the "14th Five-Year Plan", "14th Five-Year Plan" for Promoting the Development of Medium- and Small-sized Enterprises (《「十四五」促進中小企業發展規劃》) and other strategies and policies. By persisting on serving the real economy by offering equipment leasing services, and leveraging the advantages of its financial leasing business, which not only provides key equipment but also financial supports to enterprises, the Company actively promoted the development of manufacturing sectors under the digital economy and high-end equipment manufacturing industry. In 2022, numerous manufacturing enterprises faced great pressure due to disruption in the supply chain and logistics caused by the outbreak of COVID-19 pandemic. The Company provided financial solutions for high-quality manufacturing customers under controllable risk to solve their urgent needs. The Company also focused on serving niche "small giant" enterprises and niche medium- and small-sized enterprises according to the national development objectives of supporting the medium- and small-sized enterprises. The Company provided financial support to 74 niche enterprises, including 47 niche "small giant" enterprises recognized by the government. In 2022, the Company adhered to its mission of serving the real economy, and took the initiatives to help outstanding manufacturing enterprises sustain their development. The asset scale of the advanced manufacturing sector of the Company recorded steady growth.

In respect of urban utilities sector, due to the widespread of pandemic in multiple cities across the country, production was significantly affected and the macro-economy was under great downturn pressure in 2022. The meeting of the Central Committee for Financial and Economic Affairs, executive meeting of the State Council and other major meetings have emphasized the importance of infrastructure construction for stabilizing growth, and stated to expand the investment scope of infrastructure projects and increase funding through the introduction of social capital. In this regard, the Company further expanded its business in urban utilities that are less cyclical and less affected by the pandemic and focused on supporting the construction and development of new infrastructure such as 5G facilities, data centers and charging piles, infrastructure network including transportation and logistics, green and low-carbon energy and water conservancy, as well as urban and rural development coordination infrastructure and infrastructure of smart cities. Attributable to the increasing attention and investments in green and low-carbon transformation, new infrastructure and urban and rural development, the asset scale of the urban utilities sector of the Company showed a significant growth during the Reporting Period.

In respect of the energy and environmental protection sector, in response to the national strategic objectives of "emission peak and carbon neutrality" and capitalizing on the trend of green energy and low carbon development, great efforts were put in the business expansion in new energy and environmental protection sectors such as photovoltaic energy storage, sewage and sludge treatment, hazardous waste treatment and kitchen waste treatment. As at December 31, 2022, the asset scale of energy and environmental protection sector was RMB16.47 billion, representing a significant increase of 45.5% compared with the end of 2021. The energy and environmental protection sector has become the third largest sector in terms of asset scale, demonstrating the commitment and devotion of the Company in contributing to the "emission peak and carbon neutrality" strategies and supporting the transformation and upgrade of the energy industry of China. Looking ahead, the Company will focus on the mission of "accelerating the planning and construction of new energy system" according to the report of the "20th CPC National Congress". The Company will further expand to and conduct researches on the development of the new energy, energy conservation and environmental protection industries, formulate differentiated business expansion and risk management strategies based on the risk characteristics of customers and consolidate our asset foundation in the energy and environmental protection sector, so that the asset structure of the Company will be more in line with the requirement of green economy and sustainable development with high quality.

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

	As at December 31, 2022		As at December 31, 2021	
	Amount	% of total	Amount	% of total
	(RMB in millions, except percentage)			
Advanced manufacturing	24,612.3	22.9%	23,534.2	24.1%
Urban utilities	19,963.9	18.6%	13,917.4	14.3%
Energy and environmental protection	16,469.8	15.3%	11,322.8	11.6%
Transportation & logistics	14,640.0	13.6%	21,883.5	22.4%
Construction	14,624.5	13.6%	11,041.2	11.3%
Culture and tourism	7,328.6	6.8%	5,863.3	6.0%
Healthcare	7,216.9	6.7%	5,820.7	6.0%
Other	2,439.3	2.5%	4,259.9	4.3%
Total	107,295.3	100.0%	97,643.0	100.0%

9.2 COMPLIANCE RISK

Compliance risk refers to the risk that an enterprise may be subject to legal sanctions or regulatory penalties or may suffer from material financial loss or reputation loss due to its failure to comply with laws and regulations, regulatory requirements, rules and codes of conduct applicable to its business activities. In order to mitigate compliance risks, firstly, the Company has attached importance to the development of compliance culture. In 2022, we launched the program of "Developing the Cultural of Internal Control on Compliance" to further enhance the culture of compliance of all employees in all aspects and processes through centralized coordination and joint efforts of all levels. During the year, we held more than 10 activities in respect of cultivation of compliance awareness, development of compliance team, problem solving and review of policy and system so to create new momentum for the sustainable and high-quality development. Secondly, the Company has implemented the operating principle of managing employees and events in accordance with the systems. In 2022, based on regulatory requirements and the actual situation of the Company, we further enhanced the compliance system by formulating and refining various management policies, and organize system knowledge competition and other events to promote the concept of learning systems, complying with systems and using systems among employees. Thirdly, the Company conducted special inspections on key areas and major processes with focus on problems. Through compliance inspection, the bottom line of compliance risk was specified to ensure effective fulfillment of regulatory provisions and system requirement and prevent compliance risks of businesses.

9.3 LIQUIDITY RISK

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

1. Regarding the medium- and long-term liquidity risk management

(1) Implement the asset-liability structure management by determining a reasonable asset-liability ratio, monitoring and forecasting the ratio and complying with a predetermined upper limit of the aforementioned ratio;

(2) Implement the debt maturity structure management by tracking and forecasting the debt maturity structure, analyzing the matching situation between assets and liabilities to ensure that mismatches are always within a reasonable range;

(3) Implement the management of credit line by continuously tracking various information of the existing credit line, such as the amount, type, duration, currency, etc., to meet a sufficient credit reserves position;

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

During the Reporting Period, sufficient capital and financing reserve of the Group lowered the liquidity risk and ensured stable operation of the Group in the complex market environment. All core liquidity indicators of the Group are higher than the internal management requirement and external regulatory requirement of the Company.

2. Regarding the intraday liquidity risk management

(1) Monitor liquidity inflows and outflows on a daily basis to meet sufficient intraday liquidity positions and payment obligations under both normal and stressed conditions;

(2) Manage the internal liquidity reserves prudently to ensure the liquidity required for daily operations and debt repayments;

(3) Established liquidity risk control indicators system, managing, identifying and tracking risk control indicators, and implementing corresponding warning and report for liquidity risk;

(4) Formulated emergency plans regarding liquidity risks, launching liquidity emergency drills regularly or irregularly.

In 2022, the Group formulated reasonable and orderly capital planning based on the market liquidity condition and further improved our liquidity management mechanism. Our liquidity position was sound, and our liquidity management capability continued to improve.

9.4 INTEREST RATE RISK

Interest rate risk refers to the risk of adverse effects on overall income and economic value resulting from adverse movements in interest rates. The Group has formulated and implemented internal guidelines on interest rate risk management, with specific requirements on matters such as the management procedures, division of responsibilities, as well as applicable tools used to identify and measure interest rate risks. The impact of interest rate changes on our operations is measured primarily through interest rate sensitivity analysis which is used to calculate the interest rate sensitivity gap, namely the difference between interest-earning assets and interest-bearing liabilities that are due or need to be re-priced within a particular period. We seek to control interest rate sensitivity gap by closely monitoring the market and adjusting our asset and liability structure. We have also established a reporting mechanism that requires us to regularly report the results of sensitivity analysis and the status of our interest rate management activities to the management on at least a monthly basis. Save for some business contracts and loan agreements that are entered into at a fixed interest rate, most of the Group's business contracts with its customers and loan agreements with lending banks are denominated in RMB and bear floating rates using LPR as reference. Therefore, the assets and liabilities under these contracts or agreements fluctuate with the changes in the benchmark LPR. Therefore, without considering the difference between assets and liabilities in adjustment frequency of interest rates, such assets and liabilities achieve a natural hedge.

We use interest rate swaps to hedge interest rate risks. As at December 31, 2022, the nominal amount of our interest rate swaps (including currency swaps) amount to RMB3,693.9 million.

9.5 EXCHANGE RATE RISK

Exchange rate risk refers to the risk of our losses of overall revenue and economic value arising from adverse changes of exchange rate. Exchange rate risk of the Group is primarily attributable to the mismatch of the currencies of our assets and liabilities and is mainly affected by changes in the exchange rates of Renminbi against US dollar. HK dollar or Euro. The Group manages its exchange rate risk under the principle of risk neutralization by matching the allocation of assets and liabilities of different currencies according to sensitivity analysis of the impact on operation results by changes in exchange rate. For the exposure of exchange rate arising from funding, the Group will mitigate exchange rate risk by using foreign exchange derivatives when appropriate and necessary. The operating lease (aircraft leasing) business of the Group is funded by loans denominated in US dollar and there is no exchange rate risk exposure. Such arrangement effectively greatly reduces the exchange rate risk exposure. The exposure to the exchange rate risk of the Group as a whole is relatively small and has no significant effect on the profits of the Group for the year.

We use currency forwards to hedge exchange rate risk. As at December 31, 2022, the nominal amount of our currency forwards (including currency swaps) amounted to RMB2,699.6 million.

9.6 OPERATIONAL RISK

Operational risk refers to the risk of losses associated with deficiencies or failure of the Company's internal processes, personnel and system, or impact from external events. Under comprehensive risk management framework, the Company has optimized procedures of operational risk management of various departments for identifying, assessing, measuring, monitoring, tackling and reporting of risks. We have also improved the information system, which has significantly enhanced the efficiency and accuracy of procedures and further increased the quantitative management level of operational risk. In 2022, the operational risk of the Company was satisfactory and no major operational risk was recorded.

9.7 REPUTATIONAL RISK

Reputational risk refers to the risk of negative perception by stakeholders relating to operations, management, or other actions that we take, as well as external events relating to us. We have formulated reputational risk management policies and rules as well as the processes for identifying, monitoring, assessing and reporting reputational risks and resolving material reputational risk events under our comprehensive risk management framework. We have deployed specialized personnel to manage our media-related matters, including management of public relations with media, public opinion monitoring and management of public relations in crisis, and made use of big data and public opinions monitoring system in order to closely monitor and properly resolve reputational risk events. In 2022, the reputation of the Group was generally good and no major reputational risk was encountered.

10. HUMAN RESOURCES

As at the end of 2022, the Group had 1,926 full-time employees (excluding dispatched labors) in total, representing an increase of 119 full-time employees as compared to 1,807 as at the end of 2021. The Group has a team of high quality and professional employees. As at the end of 2022, approximately 81.8% of the employees of the Group possess a bachelor's degree or above or qualification of tertiary level or above, and 22.9% of the employees possess a master's degree or above or qualification of postgraduate level or above.

Through expanding our talent reserve and coordinating talent promotion, a comprehensive training system has been established. In 2022, we had conducted 248 sessions of our training projects in total with 30,273 person-times. We carried out talent management and inventory training for the heads of each business unit, promoted each business unit to inspect the status of talents and revitalized organizational efficiency. We also organized and carried out the "six training" project for new supervisors to improve their awareness of active management and daily management skills. "Spark Plan (星火計劃)" and "Sailing Operation (揚帆行動)" for young talents were conducted to promote the improvement of young talents' abilities through the closed loop learning method of online course learning, interaction and evaluation.

During the Reporting Period, staff costs of the Group was RMB854.3 million, representing an increase of RMB115.7 million from RMB738.6 million for the corresponding period last year.

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

11. CHARGES ON ASSETS

As at December 31, 2022, finance lease receivables with a carrying amount of approximately RMB426.0 million, and receivables arising from sale and leaseback arrangements with a carrying amount of approximately RMB5,005.7 million were pledged as collateral for borrowings, while equipment held for operating lease business with a carrying amount of approximately RMB4,831.9 million of the Group and equity interests in certain subsidiaries held by the Group were mortgaged to banks as collateral for bank borrowings.

12. CONTINGENT LIABILITIES

As at December 31, 2022, the Group had no contingent liabilities.

13. SUBSEQUENT EVENTS

The Group had no material subsequent events after December 31, 2022.

14. MATERIAL LAWSUIT, LITIGATION AND ARBITRATION

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

15. SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS

ACQUISITION OF PROPERTIES

On July 25, 2022, the Company successfully bid for the properties located at 2–12/F, No. 599 South Zhongshan Road and 1–2/F, No. 666 Waima Road, Huangpu District, Shanghai (the "Properties") for office use. On July 27, 2022, the Company and Shanghai Xinjing Binjiang Investment Development Company Limited (the "Transferor") entered into an agreement for the acquisition of the Properties. The Properties have a total actual above-ground area of 13,985.63 square meters, of which the property located at No. 599 South Zhongshan Road has an actual above-ground area of 12,416.85 square meters and the property located at No. 666 Waima Road has an actual above-ground area of 1,568.78 square meters. The consideration for the acquisition of the Properties is RMB1,672.77 million (the "Consideration"). The Consideration was the bid price made by the Company during a public tender, and was in turn determined with reference to (i) the base price of transfer in the public tender placed by the Transferor on the Shanghai United Assets and Equity Exchange; and (ii) the valuation of the Properties as appraised by an independent valuer engaged by the Company (using the market comparison approach). The valuation of the Properties is RMB1,678.00 million as at June 30, 2022.

For details of the acquisition of the Properties, please refer to the announcements of the Company dated July 11, 2022 and July 25, 2022, respectively, and the circular dated September 23, 2022.

Save as disclosed above, the Company and its subsidiaries had no other major investment, acquisition and disposal during the Reporting Period.

Directors, Supervisors and Senior Management

1. BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS

Mr. Ren Peng (任澎), aged 60, holds a master's degree in business administration and has been appointed as a non-executive Director of the Company since June 2014.

Mr. Ren served as an officer of the savings division in the Xihu Office of the PBOC from December 1981 to June 1982; the section head and deputy division head of the savings division in the Xihu Office of the Industrial and Commercial Bank of China Limited (a company listed on the Shanghai Stock Exchange (stock code: 601398) and the Hong Kong Stock Exchange (stock code: 1398)) (the "Industrial and Commercial Bank of China") from June 1982 to February 1988. Mr. Ren served in Hangzhou Branch of Bank of Communications Co., Ltd. (a company listed on the Shanghai Stock Exchange (stock code: 601328) and the Hong Kong Stock Exchange (stock code: 3328)) from February 1988 to March 1996, during which he served as the head of savings business, assistant to the head and deputy head of the First Office, assistant manager of the securities and savings department and manager of the securities department. Mr. Ren worked for Haitong Securities from March 1996 to January 2023, and served successively as the general manager of business department of Hangzhou of Haitong Securities and deputy general manager and executive director of Haitong Securities. Mr. Ren served as a director of Shanghai UniCircle Investment & Development Co., Ltd. from July 2014 to February 2023; a director of China-Belgium Direct Equity Investment Fund from March 2011 to March 2023; a director of Haitong International Holdings Limited from July 2014 to March 2023; and the chairman of the board of directors of Haitong UT Capital from June 2014 to April 2023.

Mr. Ding Xueqing (丁學清), aged 59, holds a master's degree in business administration and is our Chairman of the Board and executive Director. Mr. Ding has served in various positions since he joined the Company in November 2014, including a Director, the standing deputy general manager and the General Manager, and has been the Chairman of the Board since May 2020. Mr. Ding has served as a director of Haitong UniFortune Financial Leasing (Shanghai) Corporation since November 2014, a director of Haitong UT Capital, a director of Haitong Unitrust International Financial Leasing (Tianjin) Corporation and the chairman of the board of directors and a director of Shanghai UniCircle Investment & Development Co., Ltd. since July 2015, a director of Haitong UT MSE Financial Leasing (Shanghai) Co., Ltd since January 2017, and a director of Shanghai Dingjie Construction Development Co., Ltd. since June 2018. Mr. Ding has served as the executive president of Shanghai Leasing Trade Association since October 2021 and a representative of the 3rd People's Congress of Shanghai Huangpu District since November 2021.

Mr. Ding served as an officer of the Changzhou Finance Bureau of Jiangsu Province in the PRC from July 1984 to December 1985 and a teacher of Changzhou College of Accounting in Jiangsu Province in the PRC from December 1985 to June 1988. Mr. Ding served in various positions in the local tax bureau of Jinghu Branch, Wuhu City, Anhui Province in the PRC from June 1988 to March 2002, including the deputy director of the Second Tax Office and director of the Third Tax Office, 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, deputy general manager of Anhui Branch and general manager of Wuhu Business Office, general manager of Anhui Branch, and general manager of the retail and network finance department.

Ms. Ha Erman (哈爾曼), aged 47, holds a master's degree in public administration and the qualification of senior economist, and has served as a non-executive Director of the Company since November 2019. Ms. Ha has served as the vice president of Shanghai Guosheng (Group) Co., Ltd. since May 2016, a director of Shanghai Rural Commercial Bank since February 2017 and the chairwoman of the board of directors and director of Guosheng Overseas Holdings (Hong Kong) Limited since December 2018, a supervisor of AECC Commercial Aircraft Engine Co., Ltd. since December 2019, the chairman of the board of directors, director and general manager of Shanghai Shengpu Jianglan Cultural Development Co, Ltd. (上海盛浦江瀾文化發展有限公司) since March 2020, a director of China Cultural Industry Investment FOF Management Co., Ltd. (中國文化產業投資母基金管理有限公司) since October 2020, and a director of Bright Food (Group) Co., Ltd. since August 2022.

Ms. Ha served as various positions from October 2007 to August 2013, including an assistant to the head of the Foreign Economic Commission of Xuhui District of Shanghai, the deputy head of the Hunan Road Office of Xuhui District of Shanghai, the deputy head of the Commission of Commerce of Xuhui District of Shanghai and the head of Grain Bureau of Xuhui District of Shanghai, and served as the vice chairwoman of the board of directors of Shanghai State-owned Assets Management Co., Ltd. from August 2013 to April 2015 and the chairwoman of the board of directors of Shanghai International Group Assets Management Co., Ltd. from April 2015 to May 2016.

Mr. Lu Tong (呂彤), aged 49, holds a doctor's degree in management science and engineering, and has served as a non-executive Director of the Company since May 2022. Mr. Lu has served as the general manager of Shanghai Tourmaline Asset Management Co., Ltd. (上海途靈資產管理有限公司) since July 2015, the vice president of the Shanghai Electric Finance Group since January 2021, and the chairman of the board of directors of Shanghai Electric Financial Leasing Co., Ltd., the director and general manager of Shanghai Electric Hongkong Co. Limited and the director and general manager of Shanghai Electric Group Hongkong Company Limited since March 2023.

Mr. Lu served as the project manager of the investment banking department of Bohai Securities Co., Ltd. (渤海證券有限責任公司) from April 2001 to May 2003 and the project manager of the investment banking department of Kinghing Securities Co., Ltd. (金信證券有限責任公司) from June 2003 to May 2004. He also successively worked as the project manager of the investment banking department, the deputy manager of the investment banking department, the manager of the investment banking department, the assistant to general manager and the deputy general manager of Shanghai Electric Group Finance Co., Ltd. from June 2004 to March 2017. Mr. Lu served as the general manager of Shanghai Electric Insurance Broker Co., Ltd. from August 2013 to March 2016 and the executive director and general manager of Shanghai Electric Financial Leasing Co., Ltd. from April 2020 to February 2023.

Ms. Zhou Jianli (周劍麗), aged 50, holds a master's degree in business administration and the qualifications of Certified Tax Agent and senior accountant, and is the executive Director and general manager of the Company. Since joining the Company in February 2014, Ms Zhou has successively served as chief financial officer, deputy general manager and concurrently chief financial officer. She has served as an executive Director and the general manager since May 2017 and May 2020, respectively. Ms. Zhou has served as a director of Haitong Unitrust International Financial Leasing (Tianjin) Corporation since April 2017 and has been the chairwoman of the board of directors since November 2021. She has served as a director of Haitong UniFortune Financial Leasing (Shanghai) Corporation 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 and a director of Haitong UT MSE Financial Leasing (Shanghai) Co., Ltd since September 2020.

Ms. Zhou served as the Youth League secretary and teaching assistant of the College of Foreign Languages in Northeast Forestry University in the PRC from July 1993 to August 1995 and a lecturer of the College of Economics and Management in Northeast Forestry University in the PRC from December 1997 to February 2000. Ms. Zhou worked for Haitong Securities from February 2000 to March 2014 and successively served as the manager of the finance department of Harbin business department of Haitong Securities, officer and senior executive officer of the finance and accounting department, assistant manager and manager of the financial management department of the finance department, and assistant to general manager of the finance department of Haitong Securities.

Mr. Wu Shukun (吳淑琨), aged 50, holds a doctor's degree in management science and engineering management, and has served as a non-executive Director of the Company since April 2017. Mr. Wu has served 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 worked for Haitong Securities since November 2001 and served in various positions, including researcher, manager of the macro research department, assistant to director of the research institute, deputy general manager of the institutional business department, deputy general manager (in charge) of the corporate and private customers department, and general manager of the corporate finance department.

Mr. Zhang Shaohua (張少華), aged 55, holds a bachelor's degree in law, and has been appointed as a non-executive Director of the Company since January 2014. Mr. Zhang has served 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 headquarters of Haitong Securities since December 2019.

Mr. Zhang has worked for Haitong Securities since June 1996 and served in various positions, including an investment officer of the finance and accounting department, the assistant manager and manager of the integrated management department of the finance and accounting department, manager of the capital management department of the finance department, assistant to general manager of the finance department, deputy general manager of the finance department, deputy general manager of the capital management department and deputy general manager (in charge) of the capital management department of Haitong Securities.

Mr. Yao Feng (姚峰), aged 62, holds a master's degree in monetary banking and a qualification certificate as independent director from Shenzhen Stock Exchange. He has been appointed as an independent non-executive Director of the Company since May 2020. Mr. Yao has served as an independent director of China Youran Dairy Group Limited (a company listed on the Hong Kong Stock Exchange (stock code: 9858)) since June 2021.

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 Hong Kong 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, a party committee member and deputy officer of Guangzhou Securities Regulatory Office, a party committee member and deputy director of Guangzhou Regulatory Bureau, a deputy officer of the risk management office for securities companies, an inspector and deputy officer of the accounting department and a commissioner of Shanghai Supervision Office of the Commissioner. Mr. Yao served in China Association of Public Companies from May 2013 to April 2017 as the secretary of the party committee and vice-chairman. Mr. Yao was an adjunct professor of China University of Political Science and Law from June 2015 to June 2018 and a council member of the Business School of China University of Political Science and Law from May 2017 to December 2022. Mr. Yao was a member of the first session of self-regulatory committee of the council the Shenzhen Stock Exchange from December 2014 to December 2017, and served as the deputy mayor of Hangzhou Municipal People's Government from June 2017 to October 2019, 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. Zeng Qingsheng (曾慶生), aged 48, holds a doctor's degree in accounting and was a visiting scholar of Rensselaer Polytechnic Institute in the U.S.. He holds the qualification of non-practising member issued by the Chinese Institute of Certified Public Accountants, a qualification certificate as independent director from Shanghai Stock Exchange and completed the training for senior management (independent director) of listed companies organized by Shenzhen Stock Exchange and Shanghai Stock Exchange, respectively. Mr. Zeng has been appointed as an independent non-executive Director of the Company since 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 served as an independent non-executive director of Jiangsu Hengrui Pharmaceuticals Co., Ltd. (a company listed on the Shanghai Stock Exchange) (stock code:600276) since February 2023.

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 Jiangsu Yixing Rural Commercial Bank Co., Ltd. from June 2017 to February 2019, and an independent director of Shanghai Wanye Enterprises Co., Ltd. (a company listed on the Shanghai Stock Exchange (stock code: 600641)) from December 2015 to January 2022.

Mr. Wu Yat Wai (胡一威), aged 55, holds a master's degree in accounting and finance and has been appointed as an independent non-executive Director of the Company since May 2017. He has served as an independent non-executive director of C&D Property Management Group Co., Ltd (a company listed on the Hong Kong Stock Exchange (stock code: 2156)) since December 2020.

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

Mr. Yan Lixin (嚴立新), aged 59, holds a doctor's degree in economics and has been appointed as an independent non-executive Director of the Company since May 2020. Mr. Yan has served as an associate professor of Institute for Financial Studies of School of Economics of Fudan University since August 2008 and an executive officer of China Centre for Anti-Money Laundering Studies of Fudan University since January 2017. Mr. Yan has been elected as the only Chinese council member of the International Network of AML/CFT Institute since November 2017. He has served as the President and Dean of Lujiazui Financial Security Institute, Pudong, Shanghai since October 2021.

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

SUPERVISORS

Mr. Wu Xiangyang (武向陽), aged 56, holds a master's degree in economic law, and has served as the Chairman of the Board of Supervisors and a Shareholder representative Supervisor of the Company since May 2022. Mr. Wu has served as an employee representative supervisor of Haitong Securities and the chairman of the board of supervisors of Haitong Futures Co., Ltd. since June 2019, a non-executive director of Shanghai Weitai Properties Management Co., Ltd. since March 2020, and the general manager of the legal affairs department of Haitong Securities since December 2022.

Mr. Wu served as the secretary of Nanchang Hangkong University from July 1991 to September 1995, and the legal consultant of the Shanghai branch of Bank of Communications from August 1998 to April 2000. Mr. Wu has worked for Haitong Securities since January 2001, and has successively served as the project manager of the investment banking department, the legal advisor of the office of the general manager, the manager, assistant to general manager and deputy general manager of the compliance department, and the deputy general manager (person in charge) of the compliance department of Haitong Securities.

Mr. Chen Xinji (陳新計), aged 36, holds a master's degree in business administration and has been an employee representative Supervisor of the Company since June 2017. Since joining the Company in November 2016, Mr. Chen has successively served as an assistant to the general manager and the deputy general manager of the Treasury Management Department.

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

Mr. Hu Zhangming (胡章明), aged 35, holds a bachelor's degree in computer science and technology and the qualification to engage in PMP project management, and has been an employee representative Supervisor of the Company since August 2021. Mr. Hu 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. Since joining the Company in February 2016, Mr. Hu has successively served as a clerical and OA officer of the general manager office and the manager of secretarial unit of the general manager office.

SENIOR MANAGEMENT

Ms. Zhou Jianli (周劍麗), aged 50, is the executive Director and general manager of the Company. See "— Directors" in this section for the biography of Ms. Zhou.

Ms. Wu Jian (吳健), aged 49, holds a master's degree in finance and is the deputy general manager and chief human resources officer of the Company. Since joining the Company in November 2014 as the chief human resources officer, Ms Wu has also served as the assistant to general manager and the chief human resources officer since August 2015 and deputy general manager since March 2019.

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

Mr. Fu Da (傅達), aged 36, holds a master's degree in finance and economics and is the deputy general manager, chief risk officer, secretary to the Board and a joint company secretary of the Company. Mr. Fu joined the Company in December 2014 as the general manager of High-End Customers Department, and has served as the assistant to general manager since November 2015, secretary to the Board since May 2017 and deputy general manager and chief risk officer since March 2019. Mr. Fu has served as a director of Haitong Unitrust International Financial Leasing (Tianjin) Corporation since November 2021.

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

Mr. Lu Yang (路陽), aged 43, holds a master's degree in business administration and is the deputy general manager of the Company. Since joining the Company in August 2010, Mr. Lu has served in various positions, including the chief marketing officer and general manager of the Machinery Business Department, general manager of the Industrial Equipment Business Department and vice president (managing the industrials). Mr. Lu was an assistant to the general manager of the Company, and has served as the deputy general manager of the Company since March 2019. Mr. Lu has served as the chairman of the board of directors and a director of Shanghai Dingjie Construction Development Co., Ltd since July 2020 and the chairman of the board of directors and a director of Haitong UT MSE Financial Leasing (Shanghai) Co., Ltd. since September 2020. Mr. Lu has also served as the chairman of the board of directors of Haitong UniFortune Financial Leasing (Shanghai) Corporation since February 2022.

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

Mr. Liu Heping (劉和平), aged 54, holds a doctor's degree in international law and the qualification of a lawyer, and is the deputy general manager and chief legal officer of the Company. Since joining the Company in November 2014 as chief legal officer, Mr. Liu has also 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, assistant manager and division head of the legal department of the general manager office, assistant to general manager of the risk and asset management department, officer of the compliance office, assistant to general manager of the compliance department and assistant to general manager of the compliance and risk management department.

Ms. Sang Linna (桑琳娜), aged 46, holds a master's degree in business administration and is the compliance officer (deputy general manager level) of the Company. Ms. Sang joined the Company in April 2009, and has 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 Financial Leasing (Shanghai) Co., Ltd. from April to October 2018. She joined the Company again in November 2018 and has served as assistant to general manager of the Company. She has been the compliance officer (deputy general manager level) of the Company since January 2023 and a supervisor of Shanghai Dingjie Construction Development Co., Ltd since February 2023.

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

Mr. He Chen (何晨), aged 58, holds a bachelor's degree in economics and is the assistant to the general manager of the Company. Since joining the Company in January 2017, Mr. He has served as the head of the general manager office of the Company. He has served as the assistant to the general manager of the Company since August 2018 and a director of Shanghai UniCircle Investment & Development Co., Ltd. since February 2023.

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.

2. CHANGE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Mr. Wu Xiangyang has served as the general manager of the legal affairs department of Haitong Securities since December 2022.

Mr. Gao Yong has ceased to serve as the compliance officer of the Company since December 2022 due to retirement.

Mr. Ren Peng has ceased to be the deputy general manager and executive director of Haitong Securities since January 2023; the director of Shanghai UniCircle Investment & Development Co., Ltd. since February 2023; the director of Haitong International Holdings Limited and China-Belgium Direct Equity Investment Fund since March 2023; and the chairman of the board of directors of Haitong UT Capital since April 2023.

Ms. Sang Linna has been the compliance officer (deputy general manager level) of the Company since January 2023.

Mr. Zeng Qingsheng has been an independent non-executive director of Jiangsu Hengrui Pharmaceuticals Co., Ltd. since February 2023.

Having made specific enquiry and as confirmed by Directors and Supervisors, save for the disclosure above, no other changes in the information of Directors and Supervisors which shall be subject to disclosure according to paragraphs (a) to (e) and (g) under Rule 13.51(2) of the Listing Rules shall be disclosed in accordance with Rule 13.51B(1) of the Listing Rules since the date of publication of the 2022 interim report of the Company.

The Board is pleased to present the corporate governance report of the Company for the year ended December 31, 2022.

1. CORPORATE GOVERNANCE PRACTICES

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

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

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

2. MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

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

3. SHAREHOLDERS' GENERAL MEETING

Functions and Powers of Shareholders' General Meeting

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

(1) to decide on the operating policies and investment plans of the Company;

(2) to elect and replace Directors, and to determine the remuneration of the relevant Directors;

(3) to elect and replace Shareholder representative Supervisors, and to determine the remuneration of the relevant Supervisors;

(4) to consider and approve the reports of the Board and the Board of Supervisors;

(5) to consider and approve the proposed annual financial budgets, final accounts, profit distribution plans, loss recovery plans and share incentive plans of the Company;

(6) to adopt resolutions on matters such as any increase or reduction of the registered capital, merger, division, dissolution, liquidation or change of corporate form of the Company, issuance of bonds, appointments, dismissals or non-reappointments of accounting firm, change in business scope, amendments to the Articles of Association of, or establishment and acquisition of or equity participation in operating entity by the Company;

(7) to consider and approve proposals made by Shareholders representing not less than three percent (3%) (including 3%) of the voting shares of the Company separately or in aggregate;

(8) to consider and approve acquisition or disposal of any material asset or provision of guarantee with an amount exceeding 30% of the latest audited total assets of the Company within one year;

(9) to consider and approve acquisition or disposal of any asset, or any single investment or borrowing with an amount equal to or exceeding ten percent (10%) of the latest net assets of the Company;

(10) to consider and approve any connected transaction (as defined in the Listing Rules) or any single external guarantee with an amount equal to or exceeding ten percent (10%) of the latest net assets of the Company.

Shareholders' General Meetings

A Shareholders' general meeting shall either be an annual general meeting or an extraordinary general meeting. The annual general meeting is convened once a year and shall be held within six months from the end of the preceding accounting year. A written notice of an annual general meeting convened by the Company shall be given 21 days prior to the convening of such meeting (exclusive of the day on which the meeting is held), and a written notice of an extraordinary general meeting shall be given 15 days prior to the convening of such meeting (exclusive of the day on which the meeting is held).

During the Reporting Period, the Company convened 4 Shareholders' general meetings and considered and approved 16 resolutions related to profit distribution, review of reports, appointment of auditor, amendments to the Articles of Association, and grant of general mandate to issue shares, etc.

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

Director	Number of meetings attended/ should have attended
Mr. Ren Peng	4/4
Mr. Ding Xueqing	4/4
Ms. Ha Erman	4/4
Mr. Li Chuan[1]	1/1
Mr. Lu Tong[1]	3/3
Ms. Zhou Jianli	4/4
Mr. Wu Shukun	4/4
Mr. Zhang Shaohua	4/4
Mr. Jiang Yulin[2]	1/1
Mr. Yao Feng	4/4
Mr. Zeng Qingsheng	4/4
Mr. Wu Yat Wai	4/4
Mr. Yan Lixin	4/4

Note 1: On May 13, 2022, Mr. Li Chuan ceased to be the non-executive Director of the Company due to work adjustment and Mr. Lu Tong was appointed as non-executive Director of the Company by the general meeting of the Company.

Note 2: On August 15, 2022, Mr. Jiang Yulin was removed from the office of the independent non-executive Director by the general meeting of the Company.

4. BOARD OF DIRECTORS

Functions and Powers of the Board

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

(1) to convene Shareholders' general meetings and to report on its work to the Shareholders' general meetings;

(2) to implement the resolutions of the Shareholders' general meetings;

(3) to decide on the business plans and investment plans of the Company;

(4) to formulate the annual financial budget and final accounts of the Company;

(5) to formulate the plans for profit distribution and making up losses of the Company;

(6) to formulate proposals for the increase or reduction of the registered capital and the issue of corporate bonds of the Company;

(7) to formulate proposals for the acquisition and disposal of the material assets of the Company and plans for merger, division or dissolution of the Company;

(8) to decide on the establishment of the internal management structure of the Company;

(9) to appoint or remove the general manager and secretary to the Board of the Company, to appoint or remove senior management, such as the deputy general manager, chief financial officer, chief risk officer (risk control officer), chief compliance officer and assistant to the general manager based on the recommendations of the general manager, and to decide on their remuneration and performance appraisal;

(10) to formulate proposals for any amendment to the Articles of Association;

(11) to consider and approve acquisition or disposal of any asset, or any single investment, borrowing or connected transaction (as defined in the Listing Rules) with an amount exceeding 5% but less than 10% of the latest net assets of the Company and not less than RMB5 million;

(12) to consider and approve any external guarantee by the Company with an amount not more than 10% of the latest net assets of the Company;

(13) to formulate the basic management system of the Company;

(14) to determine other material matters and administrative matters, and to execute other significant agreements, except for the matters to be resolved at the Shareholders' general meeting in accordance with the Company Law and the Articles of Association;

(15) to exercise other functions or powers conferred by the Shareholders' general meeting and the Articles of Association;

(16) to propose the appointment or removal of accounting firm as the auditor of the Company to the Shareholders' general meeting;

(17) to manage the matters in relation to the information disclosure of the Company;

(18) to consider and approve material matters in relation to the compliance, internal control and risk management of the Company;

(19) to consider and approve other matters for which the Board should be responsible.

Composition of the Board

The Board currently consists of 11 Directors, among which, two are executive Directors, five are non-executive Directors and four are independent non-executive Directors. Details are as follows:

Executive Directors:

Mr. Ding Xueqing (chairman of the Board)

Ms. Zhou Jianli

Non-executive Directors:

Mr. Ren Peng

Ms. Ha Erman

Mr. Lu Tong

Mr. Wu Shukun

Mr. Zhang Shaohua

Independent non-executive Directors:

Mr. Yao Feng

Mr. Zeng Qingsheng

Mr. Wu Yat Wai

Mr. Yan Lixin

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

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

Meetings of the Board

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

During the Reporting Period, the Board held 12 Board meetings and considered and approved 42 resolutions related to system amendment, review of reports, profit distribution, operation examination and assessment, mandate for guarantees, mandate to issue shares, and others. Attendance of the Board meetings by Directors is set out as follows:

Director	Number of meetings attended/ should have attended
Mr. Ren Peng	12/12
Mr. Ding Xueqing	12/12
Ms. Ha Erman	12/12
Mr. Li Chuan[1]	3/3
Mr. Lu Tong[1]	9/9
Ms. Zhou Jianli	12/12
Mr. Wu Shukun[2]	12/12
Mr. Zhang Shaohua	12/12
Mr. Jiang Yulin[3]	3/5
Mr. Yao Feng	12/12
Mr. Zeng Qingsheng	12/12
Mr. Wu Yat Wai	12/12
Mr. Yan Lixin	12/12

Note 1: On May 13, 2022, Mr. Li Chuan ceased to be the non-executive Director of the Company due to work adjustment and Mr. Lu Tong was appointed as non-executive Director of the Company by the general meeting of the Company.

Note 2: Mr. Wu Shukun entrusted Mr. Zhang Shaohua as his proxy to attend the 23rd meeting of the second session of the Board.

Note 3: On August 15, 2022, Mr. Jiang Yulin was removed from the office of the independent non-executive Director by the general meeting of the Company.

Chairman of the Board and General Manager

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

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

(1) to preside over Shareholders' general meetings and convene and preside over meetings of the Board;

(2) to supervise the implementation of the resolutions passed by the Board;

(3) to sign the securities issued by the Company;

(4) to exercise other functions and powers conferred by the Board.

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

(1) to be in charge of the operation and management of the Company and to organize the implementation of the resolutions of the Board;

(2) to organize the implementation of the annual business plans and investment plans of the Company;

(3) to formulate plans for the establishment of the internal management structure of the Company;

(4) to formulate plans for the establishment of the branches of the Company;

(5) to formulate the basic management system of the Company;

(6) to formulate basic rules and regulations of the Company;

(7) to propose the appointment or removal of deputy general managers, chief financial officer, chief risk officer (risk control officer), compliance officer, assistants to general manager and other senior management;

(8) to appoint or remove the management personnel other than those required to be appointed or removed by the Board;

(9) to exercise other functions and powers conferred by the Articles of Association and the Board.

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

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

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

The day-to-day management, administration and operations of the Group are delegated to the senior management. The Board regularly reviews the functions and responsibilities delegated to it.

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

Independent Non-executive Directors

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

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

Non-executive Directors

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

Continuous Professional Development of Directors

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

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

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

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

Director	Type of training received by Director[Note]
Mr. Ren Peng	A
Mr. Ding Xueqing	A
Ms. Ha Erman	A
Mr. Li Chuan	A
Mr. Lu Tong	A
Ms. Zhou Jianli	A
Mr. Wu Shukun	A
Mr. Zhang Shaohua	A
Mr. Jiang Yulin	A
Mr. Yao Feng	A
Mr. Zeng Qingsheng	A
Mr. Wu Yat Wai	A
Mr. Yan Lixin	A

Note: Types of training

A: Reading materials regarding duties and responsibilities of Director.

5. PROFESSIONAL COMMITTEES OF THE BOARD

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

The list of chairman and members of each Board committee is set out in the section headed "Corporate Information" in this report.

Audit Committee

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

The main responsibilities of the Audit Committee are as follows:

(1) reviewing the financial information of the Company and its disclosure;

(2) monitoring the integrity of the financial statements and annual reports and accounts, interim reports and quarterly reports (if any) of the Company, and reviewing significant opinions contained therein in respect of relevant financial reporting. The Audit Committee shall consider any significant or unusual matters reflected or required to be reflected in such reports and accounts, and shall give due consideration to any matters raised by the accounting and financial reporting staff, compliance officers or external auditors of the Company;

(3) reviewing and evaluating the financial control system and internal audit system of the Company;

(4) discussing the internal control system with the management to ensure that the management has performed its duty to have an effective internal control system. The discussion should include adequacy of the resources, staff qualifications and experience, training programs and budgets thereof in relation to accounting and financial reporting function of the Company;

(5) considering major investigation findings on internal control matters and the response of the management to these findings on its own initiative or as delegated by the Board;

(6) conducting all types of specific audits and liaising with the internal audit department and external auditor so as to coordinate their works; ensuring that the internal audit department is adequately resourced and has appropriate standing within the Company, and examining the effectiveness of internal audit function;

(7) reviewing the financial and accounting policies and practices of the Group;

(8) providing advice and suggestions on the appraisals and replacement of the head of the internal audit department of the Company;

(9) proposing the appointment, re-appointment or change of the external auditor, approving the remuneration and terms of engagement of the external auditor;

(10) reviewing and monitoring the independence and objectivity of the external auditor and the effectiveness of the audit process in accordance with the applicable standards. The Audit Committee shall discuss with the external auditor the nature and scope of the audit and the relevant reporting obligations before the audit commences, and shall develop and implement policies on the provision of non-audit services by the external auditor;

(11) acting as the representative between the Company and the external auditor and monitoring their relationship;

(12) other duties as stipulated in the Articles of Association and other relevant matters as authorized by the Board.

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

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

The annual results of the Company for the year ended December 31, 2022 have been reviewed by the Audit Committee.

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

Director	Number of meetings attended/ should have attended
Mr. Zeng Qingsheng (chairman)	2/2
Mr. Zhang Shaohua	2/2
Mr. Yan Lixin	2/2

Nomination Committee

The Nomination Committee consists of three members, namely one non-executive Director, Mr. Ren Peng, and two independent non-executive Directors, Mr. Yan Lixin (chairman) and Mr. Wu Yat Wai.

The main responsibilities of the Nomination Committee are as follows:

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

(2) examining and proposing to the Board the standards and procedures for the selection of Directors and senior management;

(3) identifying qualified candidates for Directors and senior management extensively;

(4) reviewing and making recommendations on the candidates for Directors and senior management;

(5) reviewing and making recommendations on the candidates for other senior management required to be appointed by the Board;

(6) evaluating the independence of independent non-executive Directors;

(7) making recommendations to the Board on the appointment or reappointment of Directors, and the succession plan for Directors (particularly the chairman of the Board and the general manager);

(8) other duties as stipulated by the Articles of Association and other matters as authorized by the Board.

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

Board diversity policy

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

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

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

Nomination Policy for Directors

The Company has adopted a nomination policy for Directors. Such policy has been included in the terms of reference of the Nomination Committee. The policy sets out the objectives, selection criteria and nomination procedures for selecting or recommending appointment or re-appointment of Director candidates.

The nomination methods and procedures for Directors are as follows:

(1) the Nomination Committee shall actively communicate with relevant departments of the Company, conduct research and prepare written materials on the demands of the Company for Directors;

(2) the Nomination Committee may extensively identify and select candidates for Directors in the Company, controlling (shareholding) enterprises and talent market;

(3) collecting information of candidates such as occupation, education qualification, detailed working experience and part-time jobs, and preparing written materials accordingly;

(4) the Nomination Committee shall fully consider opinions of the nominees in respect of the nomination;

(5) convening meetings of the Nomination Committee, and conducting reviews on the qualification of the initial candidates in accordance with the job requirements of Directors;

(6) submitting suggestions and relevant materials regarding the candidates for Directors to the Board before election;

(7) the Nomination Committee, in performing its duties, may invite people with relevant experience and experts from independent and professional consulting institutions to attend meetings or convene an expert review meeting if so required;

(8) carrying out other follow-up work based on the decisions and feedback of the Board.

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

The Nomination Committee held one meeting during the Reporting Period to consider the nomination of a non-executive Director and review matters in relation to the board diversity policy and the qualification of Directors.

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

Director	Number of meetings attended/ should have attended
Mr. Ren Peng	1/1
Mr. Jiang Yulin[1]	1/1
Mr. Yan Lixin (chairman)	0/0
Mr. Wu Yat Wai	1/1

Note 1: On August 15, 2022, Mr. Jiang Yulin was removed from the office of independent non-executive Director by the general meeting of the Company, and he ceased to serve as the chairman and member of the Nomination Committee under the second session of the Board of Directors of the Company. On the same day, Mr. Yan Lixin was appointed as a member and the chairman of the Nomination Committee under the second session of the Board of Directors of the Company.

Remuneration and Evaluation Committee

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

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

(1) reviewing the assessment criteria for Directors and senior management, conducting assessments and making recommendations;

(2) reviewing and examining the remuneration policies and plans of Directors and senior management based on the corporate policies and objectives formulated by the Board, the position, duties and terms of reference of the Directors and senior management and with reference to the remuneration of similar positions in the same region, in the same industry or competitors, and making recommendations to the Board on the establishment of compliant and transparent procedures;

(3) evaluating the remuneration system of the Company, and reviewing and supervising its implementation;

(4) making recommendations to the Board on the remuneration packages of individual executive Directors and senior management, including non-pecuniary interests, pension rights and compensation payments (including compensation payable for loss or termination of their office or appointment);

(5) making recommendations to the Board on the remuneration of non-executive Directors;

(6) supplementing and revising the remuneration system and structure based on the market environment and the development of the Company from time to time;

(7) considering salaries paid, time commitment and responsibilities by comparable companies, and employment conditions elsewhere in the Group;

(8) reviewing and/or approving any matters related to share schemes as described in Chapter 17 of the Hong Kong Listing Rules (if applicable);

(9) other duties as stipulated by the Articles of Association and other matters as authorized by the Board.

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

The Remuneration and Evaluation Committee held two meetings during the Reporting Period to review matters in relation to the formulation of annual operation goals and annual appraisal.

During the Reporting Period, the Remuneration and Evaluation Committee did not review or approve any matters related to share schemes.

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

Director	Number of meetings attended/ should have attended
Mr. Zeng Qingsheng (chairman)	2/2
Mr. Yao Feng	2/2
Mr. Wu Shukun	2/2
Mr. Jiang Yulin[1]	0/0

Note 1: On August 15, 2022, Mr. Jiang Yulin was removed from the position of independent non-executive Director by the general meeting of the Company, and he ceased to serve as the chairman and member of the Remuneration and Evaluation Committee under the second session of the Board of Directors of the Company. On the same day, Mr. Zeng Qingsheng was appointed as the chairman of the Remuneration and Evaluation Committee under the second session of the Board of Directors of the Company.

Risk Management Committee

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

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

(1) supervising and providing guidance for the establishment and improvement of the risk management and internal control systems of the Company; reviewing and monitoring the policies and requirements of the Company on the compliance with laws and regulations;

(2) reviewing plans, annual work plans and annual reports in relation to the risk management and internal control systems of the Company;

(3) reviewing the organizational structure and allocation of duties in relation to the risk management and internal control systems of the Company;

(4) reviewing policies and work processes in relation to the risk management and internal control systems of the Company;

(5) reviewing the risk management strategies and action plans for major risks of the Company;

(6) conducting research on the management of risks arising from major investing and financing activities and other major operational and managerial matters, and providing recommendations to the Board;

(7) discussing the risk management systems with the senior management to ensure that the senior management has discharged its duty to establish and implement effective risk management systems; ensuring adequate resources, staff qualifications and experience, training for employees and relevant budget in respect of risk management;

(8) conducting research on major emergency risk events and results of important investigations of other matters relating to risk management and internal control, as well as the responses from the management;

(9) reviewing the corporate governance policies and practices of the Company, and making recommendations to the Board;

(10) reviewing and monitoring the training and continuous professional development of the Directors and senior management;

(11) formulating, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to the employees and Directors;

(12) reviewing the Company's compliance with the Corporate Governance Code and disclosure in the corporate governance report;

(13) other matters as authorized by the Board.

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

The Risk Management Committee held two meetings during the Reporting Period to review matters in relation to annual compliance report, annual risk assessment report, and amendments to the administrative measures for comprehensive risk management.

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

Director	Number of meetings attended/ should have attended
Mr. Yan Lixin (chairman)	2/2
Mr. Ding Xueqing	2/2
Mr. Zhang Shaohua	2/2
Mr. Yao Feng	2/2

Environmental, Social and Governance Committee

The Company established the Environmental, Social and Governance Committee under the Board on January 20, 2022. The Environmental, Social and Governance Committee consists of three members, namely two executive Directors, Mr. Ding Xueqing (chairman) and Ms. Zhou Jianli, and one non-executive director, Ms. Ha Erman.

The main responsibilities of the Environmental, Social and Governance Committee are as follows:

(1) guiding and reviewing the general ESG vision, target and strategy of the Company, identifying and coordinating the priority of ESG topics of the Company, supervising the formulation of ESG management performance target of the Company, reviewing the progress of target achievement and advising on actions to be taken in order to achieve the target;

(2) reviewing the annual Environmental, Social and Governance Report and other ESG related information disclosure of the Company;

(3) identifying and assessing ESG related risks and opportunities;

(4) inspecting and supervising the implementation of the above matters;

(5) other matters as authorized by the Board.

The terms of reference of the Environmental, Social and Governance Committee are available on the websites of the Hong Kong Stock Exchange and the Company.

The Environmental, Social and Governance Committee held one meeting during the Reporting Period to review the annual Environmental, Social and Governance Report.

The attendance of each member of the Environmental, Social and Governance Committee at the committee meeting is set out in the following table:

Director	Number of meetings attended/ should have attended
Mr. Ding Xueqing (chairman)	1/1
Ms. Zhou Jianli	1/1
Ms. Ha Erman	1/1
Mr. Yan Lixin[1]	1/1

Note 1: On August 15, 2022, the Board of Directors appointed Mr. Yan Lixin as a member and the chairman of the Nomination Committee under the second session of the Board of Directors of the Company, and Mr. Yan Lixin ceased to serve as a member of the Environmental, Social and Governance Committee under the second session of the Board of Directors of the Company.

6. RISK MANAGEMENT AND INTERNAL CONTROL

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

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

Thorough Comprehensive Risk Management and Internal Control Systems

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

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

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

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

Independent and Sound Internal Audit

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

Continuous Improvement of Risk Management and Internal Control Systems

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

During the Reporting Period, the Group formulated and issued the Measures for Comprehensive Risk Management (2022 Revision) (《全面風險管理辦法(2022年修訂版)》), the Measures for ESG Risk Management (Trial) (《ESG風險管理辦法(試行)》), Measures for High-Risk Customer List Management (Trial) (《高風險客戶名單管理辦法(試行)》), Management Measures on Due Diligence (2022 Revision) (《盡職調查管理辦法(2022年修訂版)》), Management Measures on Comprehensive Credit Process (《綜合授信流程管理辦法》), Management Measures on Business Assets (2022 Revision) (《業務類資產管理辦法(2022年修訂版)》), Management Measures on Information Security (《信息安全管理辦法》), Management Measures on Investor Relations (《投資者關係管理辦法》), Implementation Measures for Information Disclosure (《信息公開實施辦法》), and other policies for the improvement of risk management and internal control.

Inside Information

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

With the support of the Audit Committee, the Risk Management Committee and relevant reports, the Board reviewed the risk management and internal control systems, including financial, operational and compliance control, for the year ended December 31, 2022, and considered that the relevant systems were effective and adequate.

7. CORPORATE GOVERNANCE

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

(1) reviewing the corporate governance policies and practices of the Company, and making recommendations to the Board;

(2) reviewing and monitoring the training and continuous professional development of the Directors and senior management;

(3) formulating, reviewing and monitoring the code of conduct and compliance manual applicable to the employees and Directors;

(4) reviewing the Company's compliance with the Corporate Governance Code and disclosure in the corporate governance report.

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

8. JOINT COMPANY SECRETARIES

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

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

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

9. RESPONSIBILITIES OF DIRECTORS TO THE FINANCIAL STATEMENTS

The Directors confirm that they are responsible for the preparation of the financial statements of the Company for the year ended December 31, 2022.

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

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

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

10. REMUNERATION OF AUDITOR

PricewaterhouseCoopers Zhong Tian LLP served as the auditor for the financial statements of the Group prepared under the China Accounting Standards for Business Enterprises for 2022, and PricewaterhouseCoopers served as the auditor for the financial statements of the Group prepared under the IFRSs for 2022. The statement made by auditors on their reporting responsibilities on the consolidated financial statements of the Group is set out in the independent auditor's report on page 138 of this report.

The approximate emoluments of the audit and non-audit services provided by auditors to the Group during the year ended December 31, 2022 are set out below:

Type of service	Amount RMB in thousands
Audit service	2,863
Non-audit service	943
Total	3,806

11. RIGHTS OF SHAREHOLDERS

Procedures for Convening Extraordinary General Meetings

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

(1) Shareholders holding an aggregate of not less than ten percent (10%) (including 10%) shares carrying voting rights at such proposed meeting may, upon signing one or more written requests with the same content and format, request the Board to convene an extraordinary general meeting or class meeting and state the subject of the meeting. Shares held by the abovementioned Shareholders shall be calculated as at the date of submitting the written request.

(2) Upon receiving the above written request, the Board shall, in accordance with laws, administrative regulations and the Articles of Association and based on the actual circumstances, decide whether to convene a Shareholders' general meeting or not, and inform the proposer of the decision within ten (10) days upon the receipt of such request.

(3) If the Board objects to convene the extraordinary general meeting, or fails to response within 10 days upon the receipt of the request, a single Shareholder or Shareholders holding an aggregate of not less than 10% shares of the Company may propose to the Board of Supervisors to convene an extraordinary general meeting and such request shall be proposed to the Board of Supervisors in written form.

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

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

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

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

Procedures for Shareholders to Make Inquiries to the Board

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

Procedures for Submitting Proposals at Shareholders' General Meetings

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

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

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

12. DIVIDEND POLICY

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

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

(1) the actual and expected financial performance of the Company;

(2) the expected working capital requirements, capital expenditure requirements and future expansion plans of the Company;

(3) current and future liquidity of the Company;

(4) economic conditions and other internal or external factors that may affect the business or financial performance and conditions of the Company;

(5) any other factors deemed appropriate by the Board.

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

13. INVESTOR RELATIONS

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

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

14. OTHER REPORTING MATTERS

During the Reporting Period, the Company revised the Articles of Association twice: The Resolution Regarding the Amendments to the Articles of Association and the Rules of Procedure for the Shareholders' General Meeting was considered and approved at the 18th meeting of the second session of the Board of Directors held on March 29, 2022 and the annual general meeting for 2021 held on May 13, 2022. For details of the amendments, please refer to the announcements of the Company dated March 29, 2022 and May 13, 2022, respectively. The Resolution Regarding the Amendments to the Articles of Association and the Rules of Procedure for the Board of Directors was considered and approved at the 27th meeting of the second session of the Board of Directors held on November 25, 2022 and the third extraordinary general meeting for 2022 held on December 29, 2022. For details of the amendments, please refer to the announcements of the Company dated November 25, 2022 and December 29, 2022, respectively.

Directors' Report

The Board is pleased to present the Directors' Report and audited consolidated financial statements of the Group for the year ended December 31, 2022.

1. DIRECTORS AND SUPERVISORS

Executive Directors:

Mr. Ding Xueqing (Chairman of the Board)

Ms. Zhou Jianli

Non-executive Directors:

Mr. Ren Peng

Ms. Ha Erman

Mr. Lu Tong

Mr. Wu Shukun

Mr. Zhang Shaohua

Independent non-executive Directors:

Mr. Yao Feng

Mr. Zeng Qingsheng

Mr. Wu Yat Wai

Mr. Yan Lixin

Supervisors:

Mr. Wu Xiangyang (Chairman)

Mr. Chen Xinji

Mr. Hu Zhangming

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

2. BUSINESS REVIEW

Principal Business

The Group is mainly engaged in the provision of comprehensive financial services, including finance lease, operating lease, advisory services, etc., to customers in advanced manufacturing, urban utilities, energy and environmental protection, transportation & logistics, construction, culture and tourism, healthcare and other industries.

Business Review and Analysis of Key Indicators of Financial Performance

For business review and analysis of key indicators of financial performance of the Group for the year ended December 31, 2022, please refer to the sections of "Financial Summary" and "Management Discussion and Analysis" in this report.

Environmental, Social and Governance Performance

The Group strives to perform environmental, social and governance responsibilities. We believe that striking a balance among the shareholders, customers, employees, government and regulatory authorities, suppliers and partners and the community is the key to the success of our business. It is the objective of the Company to maintain long-term sustainable development and to develop into a leading domestic financial leasing brand.

While striving to achieve business growth, the Group also actively performs its environmental, social and governance responsibilities. In the environmental aspect, the Group adopts the concept of environmental protection into project development and business operation. The Group reserves funds for the well-being of the public and the provision of high-quality services for the real economy while refraining from funding highly-polluting and technologically-underdeveloped business. The Group also supports the development of corporates in the environment and clean energy sector, and advocates paperless office, green office, energy conservation and environmental protection. In the social aspect, the Group pays great attention to business quality, service level, protection of intellectual property rights, protection of customers' interests, support of social and public welfare and charitable activities, and optimization of employees' protection system and promotion system. The Group also supports the development of technological innovation, inclusive finance, poverty alleviation development, infrastructure construction, transformation and upgrade of manufacturing industry and other relevant businesses. In respect of governance, the Group adheres to a "prudent but flexible" risk policy and the compliance concept of "compliance in operation and of all employees and the management, as compliance is vital for creation of value and fundamental for the existence of the Company". Continuous efforts are made to improve its risk and compliance management, and effectively enhance its ESG risk management capabilities. Moreover, the Group also steps up its integrity education to prevent corruption.

When performing its social responsibilities, the Group also complies with the Environmental, Social and Governance Reporting Guide of the Hong Kong Stock Exchange to liaise with important stakeholders such as shareholders, customers, employees, government and regulatory authorities, suppliers and partners and the community on environmental, social and governance issues of the Group by means of questionnaires and interviews. The results thereof are the basis of the environmental, social and governance report to be disclosed by the Group. For details of the environmental, social and governance information of the Group, please refer to the "Environmental, Social and Governance Report" of the Group for 2022.

Compliance with Laws and Regulations

The Group has been in strict compliance with the Companies Ordinance, the Listing Rules, the SFO, the Company Law, the Basic Norms of Enterprise Internal Control (《企業內部控制基本規範》) and other relevant requirements of laws, regulations, rules and provisions on information disclosure, corporate governance and standard industry operation.

To the knowledge of the Directors of the Company, the Group had no violation of relevant laws and regulations which have significant impact on the Group for the year ended December 31, 2022.

Major Risks and Risk Management

For major risks and risk management of the Group for the year ended December 31, 2022, please refer to the section headed "Management Discussion and Analysis — Risk Management" in this report.

Future Developments of the Group

For future developments of the Group after the year ended December 31, 2022, please refer to the sections headed "Chairman's Statement", "General Manager's Statement", "Management Discussion and Analysis" in this report. The above sections form part of the Directors' Report.

Subsequent Events

The Group had no material subsequent events after December 31, 2022.

3. SHARE CAPITAL

Details of the share capital of the Company are set out in note 33 to the consolidated financial statements.

Public Float

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

(1) the Minimum Public Float shall be 15% of the total issued share capital of the Company;

(2) the quantity and scale of the issued securities and the extent of their distribution shall enable the market to operate properly with a lower percentage of public float;

(3) the Company shall confirm sufficiency of public float in the Company's successive annual reports after the Listing;

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

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

4. DEBT FINANCING INSTRUMENTS ISSUED

In 2022, in order to fulfil its business development needs and further replenish operation capital and optimize the structure of assets and liabilities, the Group actively carried out direct financing domestically and expanded its issue size, including the issue of ultra-short-term commercial papers of RMB10,000 million, short-term commercial papers of RMB1,000 million, public corporate bonds of RMB4,600 million and medium-term notes of RMB4,000 million, amounting to RMB19,600 million in aggregate. The Group also issued overseas bonds amounting to USD200 million in Hong Kong, the PRC. The details are set out below:

(1) In 2022, the Company issued 13 rounds of ultra-short-term commercial papers of RMB10,000 million in aggregate with a maturity period of 270 days and interest rates ranging from 1.86% to 2.60% per annum in the PRC.

(2) In 2022, the Company issued one round of short-term commercial papers of RMB1,000 million in aggregate with a maturity period of 1 year and interest rates of 2.45% per annum in the PRC.

(3) In 2022, the Company issued five rounds of public corporate bonds of RMB4,600 million in aggregate with maturity periods ranging from two to three years and interest rates ranging from 3.13% to 3.57% per annum in the PRC.

(4) In 2022, the Company issued four rounds of medium-term notes of RMB4,000 million in aggregate with maturity periods of three years and interest rates ranging from 3.25% to 4.13% per annum in the PRC.

(5) In 2022, the Company issued one round of overseas bonds of USD200 million with maturity period of three years and interest rates of 4.20% per annum in Hong Kong, the PRC.

5. PROFIT DISTRIBUTION

Interim Dividend

In November 2022, the Company has distributed the interim cash dividend to all of its ordinary Shareholders for the six months ended June 30, 2022. Based on the number of shares of 8,235,300,000 Shares, the interim dividend to be distributed was RMB0.40 per 10 Shares (tax inclusive) with a total amount of RMB329,412,000.00 (tax inclusive).

Annual Dividend

The Board of Directors of the Company recommended to distribute cash dividend to all of its ordinary Shareholders for the year ended December 31, 2022. Based on the number of Shares of 8,235,300,000 Shares, the annual dividend to be distributed will be RMB0.58 per 10 Shares (tax inclusive) with a total amount of RMB477,647,400.00 (tax inclusive). According to the Articles of Association, the proposed annual dividend will be paid to the holders of Domestic Shares and holders of H Shares in RMB and HK dollar, respectively. The actual distribution amount in HK dollar shall be determined with reference to the average mid-price of exchange rate between RMB and HK dollars announced by the PBOC one week immediately prior to the date of the annual general meeting of 2022 to be held by the Company. The proposed distribution of annual dividend is subject to the approval of the Shareholders during the annual general meeting of 2022 to be held by the Company and is expected to be distributed no later than Tuesday, July 25, 2023. Once approved, the 2022 annual dividend of the Company will be paid to the Shareholders whose names appear on the share register of the Company on Thursday, June 15, 2023.

For the purpose of determining the entitlement of Shareholders to receive the 2022 annual dividend, the register of members of the Company will be closed from Saturday, June 10, 2023 (inclusive) to Thursday, June 15, 2023 (inclusive). In order to qualify for receiving the 2022 annual dividend, H Shareholders and Domestic Shareholders should ensure all transfer documents, accompanied by the relevant Share certificates, are lodged with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, and to the Company's registered office at No. 599 South Zhongshan Road, Huangpu District, Shanghai, PRC, respectively, before 4:30 p.m. on Friday, June 9, 2023. The distribution of the 2022 annual dividend of the Company is expected to be completed no later than Tuesday, July 25, 2023.

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

Taxation

Tax for Holders of H Shares

Pursuant to the Notice of Certain Issues on the Policies of Individual Income Tax by the Ministry of Finance and the State Taxation Administration (Cai Shui Zi [1994] No.020) (《財政部、國家税務總局關於個人所得税若干政策問題的通知》(財税字[1994]020號)), overseas individuals are for the time being exempt from the individual income tax of the PRC for the dividends and bonuses from foreign-invested enterprises. As the Company is a foreign-invested enterprise, overseas individual Shareholders who are interested in the H Shares of the Company and whose names appeared in the register of holders of H Shares of the Company at the time of distribution of dividends of the Company shall not be subject to individual income tax of the PRC. Pursuant to the Notice of the State Administration of Taxation on the Issues Concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to Holders of H Shares Which Are Overseas Non-resident Enterprises (Guo Shui Han [2008] No. 897) (《國家稅務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(國稅函[2008]897號)), a PRC resident enterprise, when distributing dividends for 2008 and for the years afterwards to holders of H Shares who are overseas non-resident enterprises, shall be subject to the enterprise income tax withheld at a uniform rate of 10%.

Domestic Shareholders Investing through Shenzhen-Hong Kong Stock Connect

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

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

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

6. CONNECTED TRANSACTIONS

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

6.1 Non-Exempt Continuing Connected Transactions

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

Continuing connected transactions	Connected Person(s)	Annual cap for 2022 (RMB in millions)	Actual transaction amount for the year ended December 31, 2022 (RMB in millions)
1. Business Referral Framework Agreement[(1)]	Haitong Securities and/or its controlled companies		
Payment of service fees by the Group to Haitong Securities and/or its controlled companies		17.2	1.8
Payment of service fees by Haitong Securities and/or its controlled companies to the Group		2.8	–
2. Financial Service Framework Agreement[(1)]	Haitong Securities and/or its controlled companies		
Payment of service fees by the Group to Haitong Securities and/or its controlled companies		150.0	56.2

Continuing connected transactions	Connected Person(s)	Annual cap for 2022 (RMB in millions)	Actual transaction amount for the year ended December 31, 2022 (RMB in millions)
3. Financial Products Investment Framework Agreement[(1)]	Haitong Securities and/or its controlled companies		
Maximum daily balance of financial products purchased by the Group from Haitong Securities and/or its controlled companies		300.0	–
Payment of income by Haitong Securities and/or its controlled companies to the Group		20.0	–

(1) For details of the connected transactions, please see the announcement of the Company dated September 16, 2021.

(1) Business Referral Framework Agreement

(a) Description of the Transaction

On September 16, 2021, the Company entered into a business referral framework agreement with Haitong Securities in respect of the business referral services provided by the Group, Haitong Securities and its controlled companies to each other and payment of service fees for such services. The business referral framework agreement provides that all service fees shall be (i) negotiated on arm's length basis taking into consideration the types of customers referred, categories of projects, the extent of the participation and contribution of the referrer and other factors; (ii) entered into on normal commercial terms; and (iii) in compliance with, amongst others, the Listing Rules and applicable laws.

The business referral framework agreement was effective from January 1, 2022 and will expire on December 31, 2024 and is renewable upon mutual agreement, subject to compliance with the then applicable provisions of the Listing Rules.

(b) *Purposes of the Transaction*

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

(c) *Listing Rules Implications*

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

As the highest applicable percentage ratio of the transactions contemplated under the business referral framework agreement under Chapter 14A of the Listing Rules for the year ended December 31, 2022, on an annual basis, was higher than 0.1%, but lower than 5%, such continuing connected transactions shall be subject to the annual review, reporting and announcement requirements under Chapter 14A of the Listing Rules but exempt from independent Shareholders' approval requirement.

(2) Financial Service Framework Agreement

(a) *Description of the Transactions*

On September 16, 2021, the Company entered into a financial service framework agreement with Haitong Securities, pursuant to which Haitong Securities and its controlled companies shall provide financial services, including underwriting, sponsoring, asset management, consultancy services and liquidity support, to the Group, and the Company shall pay the financial service fees, including the underwriting fees, sponsoring fees, management fees, consultancy fees and/or commitment fees to Haitong Securities and its controlled companies. The financial service framework agreement provides that all such services and fees shall be (i) in the ordinary and usual course of businesses of the Group and Haitong Securities and its controlled companies; (ii) determined on an arm's length basis; (iii) entered into on normal commercial terms; and (iv) in compliance with, amongst others, the Listing Rules and applicable laws.

The financial service framework agreement was effective from January 1, 2022 and will expire on December 31, 2024 and is renewable upon mutual agreement, subject to compliance with the then applicable provisions of the Listing Rules.

(b) *Purposes of the Transaction*

Haitong Securities and its controlled companies provide financial services including underwriting, sponsoring, asset management, consultancy services and liquidity support in respect of the financing instruments including asset management plans, debt securities, ABS schemes and beneficiary certificates issued by the Group on normal commercial terms in the ordinary and usual course of their business.

(c) *Listing Rules Implications*

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

As the highest applicable percentage ratio of the transactions contemplated under the financial service framework agreement under Chapter 14A of the Listing Rules for the year ended December 31, 2022, on an annual basis, was higher than 0.1%, but lower than 5%, such continuing connected transactions shall be subject to the annual review, reporting and announcement requirements under Chapter 14A of the Listing Rules but exempt from independent Shareholders' approval requirement.

(3) Financial Products Investment Framework Agreement

(a) *Description of the Transactions*

On September 16, 2021, the Company entered into a financial products investment framework agreement with Haitong Securities, pursuant to which the Company may purchase currency funds, other wealth management products and beneficiary certificates (the "Financial Products") issued by Haitong Securities and its controlled companies. The financial products investment framework agreement provides that all the transactions and payments shall be (i) in the ordinary and usual course of businesses of the Group and Haitong Securities and its controlled companies; (ii) determined on an arm's length basis, (iii) entered into on normal commercial terms; and (iv) in compliance with, amongst others, the Listing Rules and applicable laws.

The financial products investment framework agreement was effective from January 1, 2022 and will expire on December 31, 2024 and is renewable upon mutual agreement, subject to the then applicable provisions of the Listing Rules.

(b) *Purposes of the Transaction*

To improve the efficiency of funds utilization, the Group purchases currency funds, other wealth management products and beneficiary certificates issued by third parties, including Haitong Securities and its controlled companies, from time to time on normal commercial terms in the ordinary course of its business.

(c) *Listing Rules Implications*

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

As the highest applicable percentage ratio of the transactions contemplated under the financial products investment framework agreement under the Chapter 14A of the Listing Rules for the year ended December 31, 2022, on an annual basis, was higher than 0.1% but lower than 5%, such continuing connected transactions shall be subject to the annual review, reporting and announcement requirements under Chapter 14A of the Listing Rules but exempt from independent Shareholders' approval requirement.

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

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

(1) The Company has adopted and implemented a comprehensive management system on connected transactions. Under such system, the Shareholders' general meetings, the Board meetings, the General Manager and secretary to the Board are responsible for supervision, management and approval of the Company's connected transactions in accordance with relevant requirement of the Hong Kong Listing Rules and the Articles of Association. In addition, the relevant functional and business departments of the Company are jointly responsible for the daily management of the connected transactions;

(2) The independent non-executive Directors will review the framework agreements for non-exempt continuing connected transactions to ensure that the agreements have been entered into on normal commercial terms that are fair and reasonable and carried out in accordance with the terms of such agreements. The auditor of the Company will also review annually the pricing policies and annual caps of such agreements;

(3) In determining the provision of services or financial products to the Company, Haitong Securities and/or its controlled companies will provide fee quotations to the Company in advance. As mentioned above, in order to ensure that the pricing policies under relevant framework agreements for the continuing connected transactions are fair and reasonable, the relevant departments of the Company shall review the prices proposed by Haitong Securities and/or its controlled companies through the following review procedures:

- if market prices are available, the proposed price will be compared with market prices to ensure that the proposed price is equivalent to or no less favorable to the Company than prices offered by independent third parties providing similar services or financial products. The Company will make enquiries to various independent third party service providers for their prices for further internal assessments;

- if no market price is available, various factors will be considered in determining whether the price is fair and reasonable, such as regulatory requirements, actual needs of the Company, the nature of service/financial products, and the financial position and creditworthiness of the service/financial products provider; and

- the proposed price will be reviewed to ensure it is consistent with the pricing terms under the relevant framework agreements for the non-exempt continuing connected transactions, and that the terms offered by Haitong Securities and/or its controlled companies to the Company are no less favorable to the Company than those offered to independent third parties.

(4) In determining the actual fee for the referral services provided by the Company to Haitong Securities and/or its controlled companies, the Company will consider factors such as the nature and the costs of services rendered, our profit margin and the referral fees we charge independent third parties for similar services to determine whether the relevant pricing policies are fair and reasonable. In addition, as mentioned above, in order to ensure the fairness and reasonableness of the pricing policies under the relevant framework agreements for the continuing connected transactions, relevant business and functional departments of the Company will follow the corresponding review procedures to evaluate the price to ensure that it is consistent with the pricing policies under the relevant agreements for the continuing connected transactions, and that the terms offered by the Company to Haitong Securities and/or its controlled companies are no less favorable to the Company than those offered to independent third parties.

Confirmation of Independent Non-executive Directors

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

(1) entered into during the ordinary and usual course of business of the Company;

(2) on normal commercial terms or better terms; and

(3) conducted on terms under relevant agreements which are fair and reasonable and are in the interest of the Shareholders as a whole.

Confirmation of Auditor

Pursuant to Rule 14A.56 of the Listing Rules, the Board has received a letter from the auditor, confirming that the continuing connected transactions:

(1) have been approved by the Board;

(2) were entered into according to the pricing policy of the Group;

(3) were entered into in accordance with the relevant agreements governing the transactions; and

(4) have not exceeded the annual caps for the year ended December 31, 2022.

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

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

7. EMPLOYEES, CUSTOMERS AND SUPPLIERS

Major Customers

For the year ended December 31, 2022, revenues from the five largest customers of the Group accounted for 5.53% (2021: 4.59%) of the total revenue of the Group, while revenue from the single largest customer of the Group accounted for 1.94% (2021: 1.93%) of the total revenue of the Group.

Major Suppliers

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

Employee Relationship

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

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

Customer Relationship

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

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

As at December 31, 2022, to the knowledge of the Directors, the following persons (excluding Directors, Supervisors and chief executive of the Company) had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name	Class of Shares	Identity/Nature of interest	Total number of Shares held	Percentage of total issued Shares of the Company	Percentage of total issued Shares of the same class of the Company	Long position/ Short position
Haitong Securities	H Shares	Interests of controlled corporation(1)	4,559,153,176	55.36%	78.68%	Long position
	Domestic Shares	Interests of controlled corporation(1)	2,440,846,824	29.64%	100%	Long position
Haitong International Holdings Limited(3)	H Shares	Interests of controlled corporation(2)	4,559,153,176	55.36%	78.68%	Long position
Haitong UT Capital	H Shares	Beneficial owner(1)(2)	4,559,153,176	55.36%	78.68%	Long position
Haitong Innovation Securities Investment Co., Ltd.	Domestic Shares	Beneficial owner(1)	2,440,846,824	29.64%	100%	Long position

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

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

(3) On July 15, 2022, Haitong International Holdings Limited, Haitong Securities and Haitong UT Capital entered into a share transfer agreement, pursuant to which Haitong International Holdings Limited agreed to sell, and Haitong Securities agreed to purchase, 2,336,920,809 shares of Haitong UT Capital, which represented the entire issued share capital of Haitong UT Capital (the "Purchase"). So far, the Company has not received any notice of completion of the Purchase. Upon completion of the Purchase, Haitong UT Capital will be directly wholly owned by Haitong Securities and Haitong International Holdings Limited will cease to be an indirect controlling shareholder of the Company.

Save as disclosed above, as at December 31, 2022, to the knowledge of the Directors, no other persons had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept by the Company under Section 336 of the SFO.

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

As at December 31, 2022, none of the Directors, Supervisors or the chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Directors, Supervisors, chief executives or their respective associates are deemed to have under such provisions of the SFO), or which were required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

10. DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

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

11. DIRECTORS' INTERESTS IN COMPETING BUSINESS

Save as disclosed in this annual report, as at December 31, 2022, none of the Directors or their respective associates had interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

12. SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

Each of the Directors and Supervisors of the Company entered into a service contract with the Company. Mr. Lu Tong, a Director, and Mr. Wu Xiangyang, a Supervisor, entered into a service contract with the Company on May 13, 2022, respectively.

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

13. REMUNERATION OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE

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

Details of remuneration of Directors, Supervisors and chief executive of the Group for the year ended December 31, 2022 are set forth in notes 42 and 43 to the consolidated financial statements of the Group.

14. INDEMNITIES OF DIRECTORS AND SUPERVISORS

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

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

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

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

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

16. PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

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

17. PRE-EMPTIVE RIGHTS

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

18. SHARE OPTION ARRANGEMENTS

As at December 31, 2022, the Company did not have any share option incentive plan.

19. ADMINISTRATION CONTRACTS

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

20. DISTRIBUTABLE RESERVES

As at December 31, 2022, the distributable reserves of the Company amounted to RMB4,246,424,764.96 (as at December 31, 2021: RMB3,661,456,739.73).

21. PROPERTY AND EQUIPMENT

Details of changes in property and equipment of the Group for the year ended December 31, 2022 are set forth in note 16 to the consolidated financial statements.

22. RETIREMENT AND BENEFITS

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

23. DONATIONS

For the year ended December 31, 2022, the total charitable donations and other donations of the Group amounted to RMB1,038.000.00 (the Group did not make any charitable donations or other donations for the year ended December 31, 2021).

24. LOAN AGREEMENTS

During the Reporting Period, the Group entered into loan agreements with specific banks, of which loans of approximately RMB1,897.7 million include terms requiring that the Group shall ensure that Haitong Securities maintains actual control over the Group. The terms of such loan agreements range from two to three years.

25. REVIEW OF ANNUAL RESULTS

The accounting principles and practices adopted by the Group and the audited consolidated financial statements for the year ended December 31, 2022 have been jointly reviewed by the Audit Committee together with the management and the external auditor of the Company.

PricewaterhouseCoopers was appointed as the auditor of the Company for the year ended December 31, 2022. PricewaterhouseCoopers has audited the annexed financial statements prepared in accordance with the IFRS.

The Board of Directors of
Haitong Unitrust International Financial Leasing Co., Ltd.
March 30, 2023

Report of the Board of Supervisors

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

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

(1) to examine the Company's financial position;

(2) to supervise the conducts of the Directors, general manager and other members of senior management of the Company in violation of the laws, administrative regulations or the Articles of Association during the performance of their duties;

(3) to demand any Director, general manager and other senior management of the Company to rectify behavior which is harmful to the interests of the Company;

(4) to verify the financial information such as the financial reports, business reports and plans for distribution of profits to be submitted by the Board to the Shareholders' general meetings and, should any queries arise, to engage, in the name of the Company, certified accountants and auditors for a review on the aforesaid information;

(5) to propose to convene an extraordinary general meeting;

(6) to represent the Company in negotiating with Directors or institute proceedings against Directors;

(7) to exercise other duties and powers specified in laws, administrative regulations, normative documents and the Articles of Association.

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

1. MEETINGS OF THE BOARD OF SUPERVISORS

During the Report Period, the Board of Supervisors held four meetings in total. 10 resolutions regarding the working report of the Board of Supervisors, appointment of accounting firm, annual report, interim report, risk evaluation report, compliance report, distribution plan, nomination of shareholder representative Supervisor and election of the chairman of the Board of Supervisors were considered and passed at the meetings.

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

Supervisor	Number of meetings attended/ should have attended
Ms. Zhou Tao[1]	2/2
Mr. Wu Xiangyang[2]	2/2
Mr. Chen Xinji	4/4
Mr. Hu Zhangming	4/4

(1) Since May 2022, Ms. Zhou Tao has ceased to be a shareholder representative Supervisor and the Chairwoman of the Board of Supervisors of the Company.

(2) Since May 2022, Mr. Wu Xiangyang has acted as a shareholder representative Supervisor and the Chairman of the Board of Supervisors of the Company.

2. SITTING IN ON MEETINGS OF THE BOARD AND ATTENDING SHAREHOLDERS' GENERAL MEETINGS

During the Reporting Period, the Company held four Shareholders' general meetings and 12 meetings of the Board. The Board of Supervisors attended or sat in on the relevant meetings and effectively supervised the decision making of material matters including the working report of the Board, working report of the general manager, compliance report, risk evaluation report, regular financial reports, general mandate for provision of guarantee and general mandate for issuance of new shares of the Company, and considered and examined the implementation of the Board's decisions by the operation management. These supervision duties have been effectively performed. The following table sets forth the relevant meetings that Supervisors attended or sat in on:

Supervisor	Number of Shareholders' general meetings attended/ should have attended	Number of Board meetings sat in on/should have sat in on
Ms. Zhou Tao[(1)]	1/1	3/3
Mr. Wu Xiangyang[(2)]	3/3	9/9
Mr. Chen Xinji	4/4	12/12
Mr. Hu Zhangming	4/4	12/12

(1) Since May 2022, Ms. Zhou Tao has ceased to be the Chairwoman of the Board of Supervisors and a shareholder representative Supervisor of the Company.

(2) Since May 2022, Mr. Wu Xiangyang has acted as a shareholder representative Supervisor and the Chairman of the Board of Supervisors of the Company.

3. SUPERVISION OF FINANCIAL POSITION

The Board of Supervisors reviewed the regular reports and financial statements of the Company, reviewed and approved the appointment of accounting firm for 2022 and the annual and interim profit distribution plans, and received presentations on financial work reports and plans in respect of assets and liabilities, equity and other key financial indicators. The Board of Supervisors is of the view that the Company has effective financial system, comprehensive internal control system, standardized financial procedures and sound financial condition, and the financial report has truthfully and objectively reflected the financial condition and results of the Company.

4. SUPERVISION OF OPERATION AND MANAGEMENT OF THE COMPANY

The Board of Supervisors sat in on meetings of the Board and attended Shareholders' general meetings to regularly receive report of operation management on the general operation of the Company, and monitored the establishment of the Environmental, Social and Governance Committee under the Board of Directors, nomination of non-executive Directors, amendments to the Articles of Association and issue of the general mandate of fund management, so to understand the operating position of the Company promptly and comprehensively. The Board of Supervisors is of the view that the decision making procedures of the Company were in compliance with laws and regulations including the Company Law and the relevant requirements under the Articles of Association, Shareholders' general meetings and meetings of the Board were lawfully convened, and all resolutions were effectively executed during the Reporting Period. Directors and senior management of the Company duly performed their duties in accordance with the authorization and the principle of good faith, and had no actions in violation of the laws and regulations, abuse of power or behaviours that would damage the interest of the Company, shareholders or employees.

5. SUPERVISION OF INTERNAL COMPLIANCE

The Board of Supervisors received presentations on the compliance report and the operational report of compliance management to fully understand:

(1) formulation, amendment and execution of compliance management system;

(2) compliance operation of the Company regarding credit review management, risk management, business management, operation management and assets management;

(3) compliance training of employees of the Company;

(4) compliance inspection and compliance assessment;

(5) significant policy changes in industry in which the Group operates;

(6) establishment of and protection for compliance management team;

(7) planning of compliance management work;

(8) report on compliance information with industry regulation.

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

6. CONTINUOUS ENHANCEMENT OF RISK MANAGEMENT SUPERVISION

The Board of Supervisors received presentations on comprehensive risk management and reviewed risk evaluation report to fully understand the risk management of the Company, including:

(1) general risk assessment of the industry;

(2) credit risk and operation of the risk indicator system;

(3) identification and management of various risks;

(4) establishment of the risk management system;

(5) asset allocation;

(6) risk research;

(7) future risk management planning.

The Board of Supervisors proposed that the Company shall continue to deepen asset allocation, improve the relevance and depth of peer and special research, strengthen post-lease asset management, improve the efficiency and effectiveness of asset collection, enhance forward-looking management of risk analysis and prevention, improve risk handling and strengthen the risk defense lines in order to ensure the asset security and stable development of the Company.

7. MAJOR WORKING PLANS OF THE BOARD OF SUPERVISORS

Further Improving Corporate Management Mechanism

According to the development needs of the Company, the Board of Supervisors shall hold meetings in a timely manner as required and attend Shareholders' general meetings and sit in on meetings of the Board to effectively perform the supervisory duty of the Board of Supervisors, carry out the re-election of the Board of Supervisors in accordance with the law, strengthen the ESG concept, improve the corporate management mechanism, further improve governance on listing and facilitate the sustainable and high-quality development of the Company.

Performing Supervisory Role and Enhancing Management of the Company

The Board of Supervisors will strictly review regular reports of the Company, enhance the understanding and supervision of daily operation, financial management, information disclosure and other aspects of the Company in order to further improve the compliance and internal control levels. It will effectively supervise the duty performance of Directors and the senior management and the implementation of resolutions of the Shareholders' general meetings and meetings of the Board in order to effectively perform the supervision duties of the Board of Supervisors.

The Board of Supervisors of
Haitong Unitrust International Financial Leasing Co., Ltd.
March 30, 2023

"Articles of Association"	the Articles of Association of Haitong Unitrust International Financial Leasing Co., Ltd.
"Audit Committee"	the audit committee of the Company
"Board"	the board of directors of our Company
"CBIRC"	China Banking and Insurance Regulatory Commission formed by a merger of China Banking Regulatory Commission and China Insurance Regulatory Commission and approved by the National People's Congress of the PRC on March 17, 2018. According to the Decision of the First Meeting of the Fourteenth Session of National People's Congress Regarding the Structural Reform Plan of the State Council (《第十四屆全國人民代表大會第一次會議關於國務院機構改革方案的決定》) (adopted at the first meeting of the fourteenth session of the National People's Congress held on March 10, 2023, the State Administration of Financial Supervision and Management (國家金融監督管理總局) will be established on the basis of the China Banking and Insurance Regulatory Commission, which will no longer be retained
"Company Law"	the Company Law of the People's Republic of China, as amended, supplemented or otherwise modified from time to time
"Controlling Shareholder"	has the meaning ascribed to it under the Listing Rules
"CSRC"	China Securities Regulatory Commission
"Director(s)"	member(s) of the Board of our Company
"Environmental, Social and Governance Committee"	the environmental, social and governance committee of the Company
"ESG"	Environment, Social and Governance
"Euro" or "EUR"	the currencies of 20 countries among the European Union
"Federal Reserve System"	the Federal Reserve System of the United States
"GDP"	gross domestic product
"Group" or "we" or "us"	our Company and its subsidiaries

"H Shares"	overseas listed foreign shares in the share capital of our Company with a nominal value of RMB1.00 each, subscribed for and traded in HK dollars and listed on the Hong Kong Stock Exchange
"Haitong Securities"	Haitong Securities Co., Ltd., a company incorporated in the PRC in August 1988, the H-shares and A-shares of which are listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange, respectively. It is the ultimate Controlling Shareholder of the Company
"Haitong Unitrust", or "Company"	Haitong Unitrust International Financial Leasing Co., Ltd.
"Haitong UT Capital"	Haitong UT Capital Group Co., Limited
"HK dollar(s)" or "HKD"	Hong Kong dollar(s), the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Listing Rules" or "Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"IFRS"	International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by the International Accounting Standards Board and the International Accounting Standards and interpretation issued by the International Accounting Standards Committee
"IoT"	Internet of Things
"Listing"	listing of the H Shares on the Main Board of the Hong Kong Stock Exchange
"Listing Date"	June 3, 2019
"MSE Subsidiary"	Haitong UT MSE Financial Leasing (Shanghai) Co., Ltd.
"Nomination Committee"	the nomination committee of the Company

"PBOC"	People's Bank of China, the central bank of the PRC
"Remuneration and Evaluation Committee"	the remuneration and evaluation committee of the Company
"Reporting Period"	the year ended December 31, 2022
"Risk Management Committee"	the risk management committee of the Company
"RMB"	Renminbi, the lawful currency of the PRC
"Securities and Futures Ordinance" or "SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	Share(s) in the share capital of the Company with a nominal value of RMB1.00 each
"Shareholder(s)"	the holder(s) of Shares
"subsidiary(ies)"	has the meaning ascribed to it in section 15 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong)
"Supervisor(s)"	member(s) of our Board of Supervisors of the Company
"UniFortune Subsidiary"	Haitong UniFortune Financial Leasing (Shanghai) Corporation
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US$" or "US dollar(s)"	United States dollar(s), the lawful currency of the United States

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

Glossary of Technical Terms

"20th CPC National Congress"	The 20th National Congress of the Communist Party of China
"14th Five-Year Plan"	Outline of the "14th Five-Year Plan" for National Economic and Social Development of the People's Republic of China and the Long-Range Objectives Through the Year 2035
"5G"	The fifth generation mobile communication technology
"ABS"	asset-backed security
"Dongfeng Fengshen E70" (東風風神E70)	a customized model of new energy vehicle co-branded by Dongfeng Fengshen and Haitong Unitrust
"Eastern Data and Western Computing"	a new computing network system proposed by the Chinese government that integrates data center, cloud computing and big data to transfer the computing demand in the eastern region to the western region in an orderly manner, and optimize the construction layout of data center to promote the collaboration between the two districts
"emission peak and carbon neutrality"	the low-carbon development target proposed by the Chinese government that it will strive to peak its carbon dioxide emissions by 2030 and achieve carbon neutrality by 2060
"Fin-tech"	financial technology
"HRBP"	human resources business partners
"IDC"	Internet Data Center
"LME"	large- and medium-sized enterprise
"LPR"	Loan Prime Rate
"Made in China 2025"	the strategic document issued in May 2015 by the State Council regarding the full promotion of becoming a world manufacturing power, being the first ten-year action plan for the strategy of "becoming a world manufacturing power"
"MSE"	micro- and small-sized enterprise

"New Infrastructure Construction"	a new type of infrastructure, which mainly includes seven major categories, namely construction of 5G base station, UHV, inter-city rail and urban rail transit, charging station of new energy vehicles, big data center, artificial intelligence, and industrial internet
"Niche"	the features of "specialization, refinement, distinctiveness and novelty" as defined under the Guiding Opinions of the Ministry of Industry and Information Technology on the Promotion of "Niche" Medium- and Small-sized Enterprises (MIIT Qi Ye [2013] No. 264)
"Niche 'small giant' enterprises"	leading enterprises recognized by the MIIT based on certain criteria of "niche" enterprises which focus on segmented markets with strong innovation capability, high market share, core technologies and excellent quality and efficiency
"NPA(s)"	non-performing asset(s)

Independent Auditor's Report

pwc 羅兵咸永道

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

(incorporated in the People's Republic of China with limited liability)

OPINION

What we have audited

The consolidated financial statements of Haitong Unitrust International Financial Leasing Co., Ltd. (the "Company") and its subsidiaries (the "Group"), which are set out on pages 144 to 272, comprise:

- the consolidated statement of financial position as at December 31, 2022;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

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, 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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 identified in our audit is related to expected credit impairment allowance of finance lease receivables, receivables arising from sale and leaseback arrangements and loans and receivables.

Key audit matter	How our audit addressed the Key Audit Matter
Expected credit impairment allowance of finance lease receivables, receivables arising from sale and leaseback arrangements and loans and receivables Refer to Notes 12, 19, 20, 21, and the expected credit loss ("ECL") related disclosures in Notes 3.2, 4 and 47 to the consolidated financial statements. As at December 31, 2022, the Group's finance lease receivables amounted to RMB21,048,346 thousand, and an ECL allowance of RMB1,589,892 thousand was recognised in the consolidated statement of financial position; receivables arising from sale and leaseback arrangements was RMB85,734,982 thousand and an ECL allowance of RMB1,185,030 thousand was recognised; loans and receivables was RMB511,985 thousand, for which a provision of RMB163,468 thousand was recognised.	We obtained an understanding of the internal controls relating to ECL for finance lease receivables, receivables arising from sale and leaseback arrangements and loans and receivables. We assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as the complexity of estimation models used, the subjectivity of significant management judgments and assumptions, and susceptibility to management bias. We evaluated and tested the internal controls over the measurement of ECL for finance lease receivables, receivables arising from sale and leaseback arrangements and loans and receivables, primarily comprising: 1. Governance over ECL models, including the selection, approval and application of the ECL modelling methodology; and the internal controls relating to the ongoing monitoring and optimization of the models; 2. Internal controls relating to significant management judgments and assumptions, including the assessment and approval of portfolio segmentation, model selections, parameters estimation, the judgment of significant increase in credit risk, or defaults or credit-impaired and forward-looking measurement; 3. Internal controls over the accuracy and completeness of key inputs used by the models; 4. Internal controls relating to estimation of future cash flows and calculations of present values of such cash flows for finance lease receivables, receivables arising from sale and leaseback arrangements and loans and receivables using DCF to calculate loss allowances.

Key audit matter	How our audit addressed the Key Audit Matter
The ECL on finance lease receivables, receivables arising from sale and leaseback arrangements and loans and receivables recognised in the consolidated statement of profit or loss for the year ended December 31, 2022 amounted to RMB1,589,918 thousand. The Group assessed whether or not finance lease receivables, receivables arising from sale and leaseback arrangements and loans and receivables had a significant increase in credit risk since their initial recognition, or a default was incurred, and applied a three-stage impairment model approach to calculate their ECL. For finance lease receivables, receivables arising from sale and leaseback arrangements and loans and receivables that are classified as stage 1 or stage 2 and those classified as stage 3 with individual amount that are relatively insignificant, the Group assessed loss allowance using the risk parameter modelling approach that incorporated relevant key parameters, including probability of default, loss given default and exposure at default. For finance lease receivables, receivables arising from sale and leaseback arrangements and loans and receivables classified as stage 3 with individual amount that are relatively significant, the Group assessed loss allowance by estimating the future cash flows from the business. The measurement of ECL involves significant management judgments and assumptions, primarily including: 1. Segmentation of business operations sharing similar credit risk characteristics, selection of appropriate models and determination of relevant key measurement parameters; 2. Criteria for determining whether or not there was a significant increase in credit risk, or a default or impairment loss was incurred; 3. Economic indicators for forward-looking measurement, and the application of economic scenarios and weightings; and	The substantive audit procedures we performed primarily comprising: Based on the risk profile of the asset portfolio, we evaluated the reasonableness of the portfolio segmentation. By comparing with industry practice, we assessed the reasonableness of modelling methodologies for ECL measurement of different portfolios. We examined the calculation for the model measurement on selected samples, to test whether or not the models reflect the modelling methodologies documented by the Group. We examined key data inputs to the ECL models on selected samples, including historical data and data at the measurement date, to assess their accuracy and completeness. We selected samples, in consideration of the financial information and non-financial information of the borrowers, relevant external evidence and other factors, to assess the appropriateness of the Group's criteria of significant increase in credit risk, defaults and credit-impaired finance lease receivables, receivables arising from sale and leaseback arrangements and loans and receivables. For forward-looking measurements, we assessed the Group's selection of forward-looking information, including economic indicators, economic scenarios and weightings. We further tested the reasonableness of the prediction of economic indicators by comparing with available external expert estimates. In addition, we performed sensitivity analysis on the economic indicators and weightings under different economic scenarios. For finance lease receivables, receivables arising from sale and leaseback arrangements and loans and receivables that DCF model was used to calculate ECL, we examined, on a sample basis, the forecasted future cash flows prepared by the Group based on the financial information of borrowers and guarantors, latest collateral valuations and other available information together with discount rates used to support the computation of ECL.

Key audit matter	How our audit addressed the Key Audit Matter
4. The estimated future cash flows for finance lease receivables, receivables arising from sale and leaseback arrangements and loans and receivables for which discount cash flow ("DCF") model was used to calculate ECL. For measuring ECL, the Group adopted complex models, used of numerous parameters and data inputs, and applied significant management judgments and assumptions, and the inherent risk is considered significant. In addition, the amount of finance lease receivables, receivables arising from sale and leaseback arrangements and loans and receivables and the related ECL allowance and provision is material. In view of these reasons, we identified this as a key audit matter.	Based on our procedures performed, we considered that the models, relevant parameters and data, significant judgments and assumptions adopted in the ECL measurement together with the measurement results were acceptable.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than 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 and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors 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 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 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. We report our opinion solely to you, as a body, 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 scepticism 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 this independent auditor's report is Jack Li.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 30 March 2023

Consolidated Statement of Profit or Loss for the Year Ended December 31, 2022

(All amounts in thousands of RMB unless otherwise stated)

	Notes	Year ended December 31 2022	2021
Revenue			
Finance lease income	5	**2,302,792**	3,336,405
Interest income from sale and leaseback arrangements	5	**4,408,262**	2,730,138
Operating lease income	5	**540,145**	451,145
Service fee income	5	**1,142,428**	1,281,697
Factoring interest income	5	**111,156**	355,592
Entrusted loan and other loan interest income	5	**19,866**	22,628
Total revenue		**8,524,649**	8,177,605
Net investment gains or losses	6	**(59,777)**	34,226
Other income, gains or losses	7	**437,150**	818,877
Loss from derecognition of financial assets measured at amortised cost		**(40,076)**	(77,524)
Total revenue and other income, gains or losses		**8,861,946**	8,953,184
Depreciation and amortisation	8	**(369,762)**	(422,813)
Staff costs	9	**(854,280)**	(738,560)
Interest expenses	10	**(3,541,869)**	(3,527,798)
Other operating expenses	11	**(388,810)**	(534,109)
Impairment losses under expected credit loss model	12	**(1,591,867)**	(1,713,016)
Other impairment losses		**(59,166)**	(85,315)
Total expenses		**(6,805,754)**	(7,021,611)
Profit before income tax		**2,056,192**	1,931,573
Income tax expense	13	**(523,303)**	(518,713)
Profit for the year		**1,532,889**	1,412,860

Consolidated Statement of Profit or Loss for the Year Ended December 31, 2022

(All amounts in thousands of RMB unless otherwise stated)

	Notes	Year ended December 31 2022	2021
Attributable to:			
Owners of the Company			
— Ordinary shareholders		**1,433,553**	1,321,231
— Other equity instrument holders		**97,903**	90,934
Non-controlling interests		**1,433**	695
		1,532,889	1,412,860
Earnings per share attributable to ordinary shareholders of the Company (Expressed in RMB Yuan per share)			
— Basic	14	**0.17**	0.16
— Diluted	14	**N/A**	N/A

Consolidated Statement of Comprehensive Income for the Year Ended December 31, 2022

(All amounts in thousands of RMB unless otherwise stated)

	Year ended December 31	
	2022	2021
Profit for the year	**1,532,889**	1,412,860
Other comprehensive income/(expense):		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**84,223**	(21,127)
Fair value gain on cash flow hedges	**45,520**	94,909
Other comprehensive income for the year, net of income tax	**129,743**	73,782
Total comprehensive income for the year	**1,662,632**	1,486,642
Attributable to:		
Owners of the Company		
— Ordinary shareholders	**1,563,296**	1,395,013
— Other equity instrument holders	**97,903**	90,934
Non-controlling interests	**1,433**	695
	1,662,632	1,486,642

Consolidated Statement of Financial Position as at December 31, 2022

(All amounts in thousands of RMB unless otherwise stated)

	Notes	December 31, 2022	December 31, 2021
Non-current assets			
Property and equipment	16	**7,307,246**	5,463,211
Right-of-use assets	17	**45,604**	120,262
Intangible assets	18	**17,843**	15,205
Finance lease receivables	19	**7,102,584**	11,270,189
Receivables arising from sale and leaseback arrangements	20	**47,847,820**	31,521,846
Loans and receivables	21	**5,130**	575,177
Financial assets at fair value through profit or loss	25	**107,353**	128,099
Deferred tax assets	22	**1,676,878**	1,578,035
Other assets	23	**2,778,452**	2,202,020
Total non-current assets		**66,888,910**	52,874,044
Current assets			
Finance lease receivables	19	**12,355,870**	22,202,398
Receivables arising from sale and leaseback arrangements	20	**36,702,132**	23,566,177
Loans and receivables	21	**343,387**	5,806,749
Other assets	23	**1,186,172**	1,497,288
Accounts receivable	24	**196,956**	48,715
Financial assets at fair value through profit or loss	25	**605,987**	1,996,289
Derivative financial assets	26	**113,356**	11,079
Cash and bank balances	27	**6,120,974**	6,738,571
Total current assets		**57,624,834**	61,867,266
Total assets		**124,513,744**	114,741,310

Consolidated Statement of Financial Position as at December 31, 2022

(All amounts in thousands of RMB unless otherwise stated)

	Notes	December 31, 2022	December 31, 2021
Current liabilities			
Borrowings	28	**25,672,450**	25,796,405
Derivative financial liabilities	26	**76,171**	231,247
Accrued staff costs	29	**363,352**	286,166
Accounts payable	30	**201,746**	34,552
Bonds payable	31	**23,883,071**	23,409,906
Income tax payable		**679,521**	743,751
Other liabilities	32	**6,684,475**	7,060,314
Total current liabilities		**57,560,786**	57,562,341
Net current assets		**64,048**	4,304,925
Total assets less current liabilities		**66,952,958**	57,178,969
Equity			
Share capital	33	**8,235,300**	8,235,300
Other equity instruments	34	**2,642,903**	2,384,512
Reserves			
— Capital reserve	35	**2,486,007**	2,492,962
— Surplus reserve	35	**713,394**	585,260
— Hedging reserve	35	**68,236**	22,716
— Translation reserve	35	**8,504**	(75,719)
Retained profits		**4,628,044**	3,890,937
Equity attributable to owners of the Company		**18,782,388**	17,535,968
— Ordinary shareholders		**16,139,485**	15,151,456
— Other equity instrument holders		**2,642,903**	2,384,512
Non-controlling interests		**44,276**	83,675
Total equity		**18,826,664**	17,619,643

(All amounts in thousands of RMB unless otherwise stated)

	Notes	December 31, 2022	December 31, 2021
Non-current liabilities			
Borrowings	28	**23,146,831**	18,145,228
Bonds payable	31	**18,670,205**	14,865,356
Deferred tax liabilities	22	**13,360**	16,297
Other liabilities	32	**6,295,898**	6,532,445
Total non-current liabilities		**48,126,294**	39,559,326
Total equity and non-current liabilities		**66,952,958**	57,178,969

The consolidated financial statements on pages 144 to 272 were approved and authorised for issue by the Board of Directors on March 30, 2023 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, 2022

(All amounts in thousands of RMB unless otherwise stated)

	Attributable to owners of the Company									
	Share capital (Note 33)	Capital reserve (Note 35)	Surplus reserve (Note 35)	Hedging reserve (Note 35)	Translation reserve (Note 35)	Retained profits	Ordinary shareholders sub-total	Other equity instruments (Note 34)	Non-controlling interest	Total equity
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
Profit for the year	–	–	–	–	–	1,433,553	1,433,553	97,903	1,433	1,532,889
Other comprehensive income for the year	–	–	–	45,520	84,223	–	129,743	–	–	129,743
Total comprehensive income for the year	–	–	–	45,520	84,223	1,433,553	1,563,296	97,903	1,433	1,662,632
Capital injection by non-controlling interests (Note 49)	–	–	–	–	–	–	–	–	3,915	3,915
Issue of other equity instruments	–	–	–	–	–	–	–	1,462,009	–	1,462,009
Redemption of other equity instruments	–	(6,955)	–	–	–	–	(6,955)	(1,193,045)	–	(1,200,000)
Appropriation to surplus reserve	–	–	128,134	–	–	(128,134)	–	–	–	–
Distribution to other equity instruments	–	–	–	–	–	–	–	(108,553)	–	(108,553)
Dividends recognised as distribution (Note 15)	–	–	–	–	–	(568,235)	(568,235)	–	–	(568,235)
Other	–	–	–	–	–	(77)	(77)	77	(44,747)	(44,747)
At December 31, 2022	8,235,300	2,486,007	713,394	68,236	8,504	4,628,044	16,139,485	2,642,903	44,276	18,826,664

Consolidated Statement of Changes in Equity for the Year Ended December 31, 2022

(All amounts in thousands of RMB unless otherwise stated)

	Attributable to owners of the Company									
	Share capital (Note 33)	Capital reserve (Note 35)	Surplus reserve (Note 35)	Hedging reserve (Note 35)	Translation reserve (Note 35)	Retained profits	Ordinary shareholders sub-total	Other equity instruments (Note 34)	Non-controlling interest	Total equity
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 49)	–	–	–	–	–	–	–	–	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 Cash Flows for the Year Ended December 31, 2022

(All amounts in thousands of RMB unless otherwise stated)

	Year ended December 31	
	2022	2021
OPERATING ACTIVITIES		
Profit before income tax	**2,056,192**	1,931,573
Adjustments for:		
Interest expenses	**3,541,869**	3,527,798
Interest income from deposits with financial institutions	**(96,410)**	(97,692)
Impairment losses recognised	**1,651,033**	1,798,331
Depreciation and amortisation	**369,762**	422,813
Losses/(Gains) on disposal of property and equipment	**9**	(108,702)
Foreign exchange losses, net	**22,876**	16,162
Net gains arising from financial assets at fair value through profit or loss and financial assets measured at amortized cost	**(38,330)**	(703)
Unrealised fair value changes	**142,312**	(37,846)
Operating cash flows before movements in working capital	**7,649,313**	7,451,734
Decrease in finance lease receivables	**12,735,801**	13,875,934
Increase in receivables arising from sale and leaseback arrangements	**(29,968,534)**	(20,189,156)
Decrease in loans and receivables	**6,035,031**	898,193
Increase in financial assets at fair value through profit or loss	**–**	(120,073)
Increase in accounts receivable	**(148,919)**	(19,151)
Increase in other assets	**(1,030,081)**	(1,784,257)
Increase in accrued staff costs	**77,186**	68,595
Increase in accounts payable	**167,194**	4,434
Decrease in other liabilities	**(526,794)**	(511,568)
Cash used in operations	**(5,009,803)**	(325,315)
Income taxes paid, net	**(653,187)**	(457,975)
Interest received	**96,410**	97,692
Interest paid	**(3,213,350)**	(3,065,713)
NET CASH GENERATED FROM /(USED IN) OPERATING ACTIVITIES	**(8,779,930)**	(3,751,311)

Consolidated Statement of Cash Flows for the Year Ended December 31, 2022

(All amounts in thousands of RMB unless otherwise stated)

	Notes	Year ended December 31 2022	2021
INVESTING ACTIVITIES			
Proceeds on sale of financial assets held under resale agreements		11,530,092	16,509,000
Proceeds on sale of financial assets measured at amortised cost		375,810	—
Proceeds on sale of financial assets at fair value through profit or loss		5,002,742	2,331,921
Income received from financial investments		38,330	—
Disposal of property and equipment		86	1,832,523
Disposal of a subsidiary		132,053	—
Purchase of financial assets held under resale agreements		(11,530,092)	(16,509,000)
Purchase of financial assets at fair value through profit or loss		(3,680,100)	(3,339,011)
Purchase of financial assets measured at amortised cost		—	(510,571)
Purchase of property and equipment and intangible assets		(1,689,095)	(654,185)
NET CASH GENERATED FROM /(USED IN) INVESTING ACTIVITIES		179,826	(339,323)
FINANCING ACTIVITIES			
Proceeds from issuance of other equity instruments		1,470,000	2,330,000
Proceeds from capital injection of the non-controlling investors		3,915	31,250
Proceeds from borrowings	39	34,878,194	27,111,176
Proceeds from issuance of bonds	39	36,097,920	34,596,010
Repayment of borrowings	39	(30,458,954)	(27,142,210)
Repayment of bonds payable	39	(31,850,913)	(29,052,648)
Repayment of other equity instruments		(1,200,000)	(1,486,500)
Repayments of lease liabilities	39	(51,964)	(60,656)
Payments for the costs of borrowings	39	(56,096)	(43,515)
Payments for the costs of bonds issuance	39	(140,755)	(174,077)
Payments for the costs of other equity instruments issuance		(3,481)	(8,988)
Payment of distribution of other equity instruments	39	(108,553)	(64,736)
Payment of dividends	39	(568,235)	(518,824)
NET CASH GENERATED FROM /(USED IN) FINANCING ACTIVITIES		8,011,078	5,516,282
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(589,026)	1,425,648
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	38	5,997,815	4,570,959
Effect of foreign exchange rate changes		694	1,208
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	38	5,409,483	5,997,815

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, 2022 for the preparation of the consolidated financial statements:

Amendments to IAS 16	Property, Plant and Equipment: Proceeds before intended use
Amendments to IFRS 16	Related Rent Concessions
Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRS Standards 2018–2020

The application of the amendments to IFRSs and IASs 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 ("IFRSs") (CONTINUED)

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[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 1	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 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]
Amendments to IAS 1	Non-current Liabilities with Covenants[2]
Amendments to IFRS 16	Lease Liability in a Sale and Lease back[2]

1 Effective for annual periods beginning on or after January 1, 2023.

2 Effective for annual periods beginning on or after January 1, 2024.

3 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.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Property and equipment (continued)

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

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

When aircraft with in-place leases are purchased, the Group identifies, measures and accounts for lease premium assets. Lease premium assets represent the value of acquired leases with contractual rent payments that are materially above the market lease rentals at the date of acquisition. Lease premium assets are amortised on a straight-line basis over the remaining lease term and recorded as a component of depreciation and amortisation, and are presented under property and equipment.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Investment properties (continued)

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.

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.

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)

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.

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.

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

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.

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.

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)

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.

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 or losses” 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.

Definition of credit-impaired and default 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)

Definition of credit-impaired and default 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.

In general, the Group considers a financial instrument is in default, when it is credit-impaired.

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. As of December 31, 2022, the National debt reverse repurchase was designated as a low credit risk debt instrument.

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.

For credit-impaired financial assets with individual amount that are relatively significant, expected credit losses are measured as the differences between the present value of estimated cash flows discounted at the original effective interest rate and the asset's gross carrying amount.

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 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.

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 bills, 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)

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.

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 or losses' 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.

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.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Revenue recognition (continued)

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.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Revenue recognition (continued)

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 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 (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 19 and 20. 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

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 judgment 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.

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. 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 judgment 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 judgment 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 external circumstances 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.

(All amounts in thousands of RMB unless otherwise stated)

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (continued)

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

	Year ended December 31	
	2022	2021
Finance lease income (Note i)	**2,302,792**	3,336,405
Interest income from sale and leaseback arrangements (Note ii)	**4,408,262**	2,730,138
Operating lease income	**540,145**	451,145
Service fee income (Note iii)	**1,142,428**	1,281,697
Factoring interest income (Note ii)	**111,156**	355,592
Entrusted loan and other loan interest income (Note ii)	**19,866**	22,628
Total revenue	**8,524,649**	8,177,605

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, 2022 and 2021.

(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. The Group mainly offers consulting services to financial leasing customers. The scope of services usually covers domain knowledge and business trends of financial leasing, financial advisory, macroeconomic and strategic consulting, segmented industry and market analysis, providing ecosystem and industrial chain solutions, feasibility study in project, implementation plans consultation, recommending and sharing business, leased equipment configuration consultation, and other types of consulting services.

(All amounts in thousands of RMB unless otherwise stated)

5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment reporting

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

Geographical information

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

Information about major customers

During the years ended December 31, 2022 and 2021, 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 OR LOSSES

	Year ended December 31	
	2022	2021
Net losses arising from derivative financial instruments	**(8)**	(10,929)
Net (losses)/gains arising from financial assets at fair value through profit or loss	**(60,377)**	42,078
Other	**608**	3,077
	(59,777)	34,226

(All amounts in thousands of RMB unless otherwise stated)

7. OTHER INCOME, GAINS OR LOSSES

	Year ended December 31	
	2022	2021
Government grants (Note)	**202,863**	297,150
Interest income from deposits with financial institutions	**96,410**	97,692
Interest income from asset-backed securities	**69,622**	26,903
Interest income from financial assets held under resale agreements	**1,134**	3,211
Foreign exchange losses, net	**(22,876)**	(16,162)
Losses on disposal of finance lease assets	**(15,178)**	(30,068)
Gains on disposal of assets under operating lease	**—**	48,236
Gains on disposal of property (Note 44)	**—**	60,469
Income from government outsourcing business	**—**	273,366
Other	**105,175**	58,080
	437,150	818,877

Note: 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.

8. DEPRECIATION AND AMORTISATION

	Year ended December 31	
	2022	2021
Depreciation of property and equipment	**313,136**	353,994
Depreciation of right-of-use assets	**49,945**	62,888
Amortisation of intangible assets	**6,681**	5,931
	369,762	422,813

(All amounts in thousands of RMB unless otherwise stated)

9. STAFF COSTS

	Year ended December 31	
	2022	2021
Salaries, bonus and allowances	650,746	565,711
Social welfare	176,769	150,265
Other	26,765	22,584
	854,280	738,560

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

	Year ended December 31	
	2022	2021
Interest on liabilities:		
Bank and other borrowings	2,061,390	2,131,756
Bonds payables	1,476,262	1,388,911
Lease liabilities	4,217	7,131
	3,541,869	3,527,798

(All amounts in thousands of RMB unless otherwise stated)

11. OTHER OPERATING EXPENSES

	Year ended December 31	
	2022	2021
Advisory expenses	**132,744**	83,331
Business traveling expenses	**55,096**	61,490
Tax and surcharges	**44,640**	30,948
Recovery of leased assets expenses	**33,062**	17,354
Administrative expenses	**20,048**	16,046
Communication expenses	**16,591**	17,814
Bank charges	**10,095**	16,025
Business development expenses	**10,938**	14,539
Property management expenses	**14,040**	13,068
Auditor's fee	**2,942**	3,827
Short-term lease expenses	**1,899**	1,185
Cost of government outsourcing business	**—**	224,797
Other	**46,715**	33,685
	388,810	534,109

12. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL

	Year ended December 31	
	2022	2021
Impairment loss recognised/(reversed) on:		
— finance lease receivables	**1,195,233**	1,062,882
— receivables arising from sale and leaseback arrangements	**503,014**	315,609
— loans and receivables	**(108,329)**	313,384
— accounts receivable	**(6,066)**	7,349
— bank balances	**24**	14
— other assets	**7,991**	13,778
	1,591,867	1,713,016

(All amounts in thousands of RMB unless otherwise stated)

13. INCOME TAX EXPENSES

	Year ended December 31	
	2022	2021
Current tax:		
PRC Enterprise Income Tax	**578,545**	545,599
Hong Kong Profit Tax	**15,616**	16,237
Other jurisdictions	**141**	107
Sub-total	**594,302**	561,943
Deferred tax	**(70,999)**	(43,230)
Total	**523,303**	518,713

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:

	Year ended December 31	
	2022	2021
Profit before income tax	**2,056,192**	1,931,573
Tax at the statutory tax rate of 25%	**514,048**	482,893
Tax effect of expenses not deductible for tax purpose	**36,482**	41,847
Tax effect of income not taxable and exemptions for tax purpose	**(3,089)**	(1,475)
Tax effect of interest expenses of other equity instruments	**(3,544)**	(16,184)
Effect of different tax rates of subsidiaries	**(20,594)**	11,632
Income tax expense for the year	**523,303**	518,713

(All amounts in thousands of RMB unless otherwise stated)

14. EARNINGS PER SHARE

	Year ended December 31	
	2022	2021
Earnings for the purpose of basic and diluted earnings per share:		
Profit for the year attributable to ordinary shareholders of the Company	**1,433,553**	1,321,231
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)	**0.17**	0.16
Diluted earnings per share (Expressed in RMB Yuan per share)	**N/A**	N/A

No diluted earnings per share for the years ended December 31, 2022 and 2021 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 RMB0.58 per 10 shares (tax inclusive) in respect of the year ended December 31, 2022 (the final dividend), in an aggregate amount of RMB477,647,400.00 (tax inclusive), which is subject to approval by the shareholders in the 2022 annual general meeting to be held by the Company (2021 final dividend in an aggregate amount of RMB238,823,700.00 (tax inclusive) was recognised and paid in 2022).

The interim cash dividend in respect of the six months ended June 30, 2022 was RMB0.40 per 10 shares (tax inclusive), in an aggregate amount of RMB329,412,000.00 (tax inclusive) recognised in current year (2021 interim dividend: RMB395,294,400.00 (tax inclusive)).

(All amounts in thousands of RMB unless otherwise stated)

16. PROPERTY AND EQUIPMENT

	December 31, 2022	December 31, 2021
Equipment held for operating lease business	5,293,471	5,049,922
Property and equipment held for administrative purpose	1,804,180	181,859
Others	209,595	231,430
Total	7,307,246	5,463,211

As at December 31, 2022, the net carrying amount of the Group's property and equipment pledged as collateral for the Group's bank borrowings amounted to RMB4,831,937 thousand (December 31, 2021: RMB4,607,628 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
Cost	
As at December 31, 2021	5,651,577
Exchange differences	522,015
As at December 31, 2022	6,173,592
Accumulated depreciation and impairment	
As at December 31, 2021	601,655
Depreciation charged for the year	216,259
Exchange differences	62,207
As at December 31, 2022	880,121
Net carrying amount	
As at December 31, 2021	5,049,922
As at December 31, 2022	5,293,471

(All amounts in thousands of RMB unless otherwise stated)

16. PROPERTY AND EQUIPMENT (CONTINUED)

16a. Equipment held for operating lease business (continued)

	Aircraft
Cost	
As at December 31, 2020	5,883,035
Additions	443,661
Disposals	(535,104)
Exchange differences	(140,015)
As at December 31, 2021	5,651,577
Accumulated depreciation and impairment	
As at December 31, 2020	432,604
Depreciation charged for the year	215,054
Impairment loss recognised in profit or loss	46,616
Eliminated on disposals	(80,042)
Exchange differences	(12,577)
As at December 31, 2021	601,655
Net carrying amount	
As at December 31, 2020	5,450,431
As at December 31, 2021	5,049,922

Impairment assessment

The management of the Group conducted impairment assessment on aircraft held for operating lease business with present value of RMB5,344,004 thousand. The recoverable amounts of these 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, no impairment of the relevant aircraft had been recognised in profit or loss during the year ended December 31, 2022 (the impairment of RMB46,616 thousand had been recognised in profit or loss during the year ended December 31, 2021).

(All amounts in thousands of RMB unless otherwise stated)

16. PROPERTY AND EQUIPMENT (CONTINUED)

16b. Property and equipment held for administrative purpose

	Motor vehicles	Electronic equipment	Office equipment	Leasehold land and buildings	Leasehold improvements	Construction in progress	Total
Cost							
As at December 31, 2021	6,734	30,564	12,701	94,255	116,222	15,873	276,349
Additions (Note)	281	9,070	1,240	1,658,068	1,094	7,603	1,677,356
Transfer	–	126	70	–	1,389	(1,585)	–
Disposals	–	(1,213)	(449)	–	(6,977)	–	(8,639)
Exchange differences	–	12	6	–	28	–	46
As at December 31, 2022	7,015	38,559	13,568	1,752,323	111,756	21,891	1,945,112
Accumulated depreciation							
As at December 31, 2021	3,936	19,797	6,835	8,070	55,852	–	94,490
Depreciation charged for the year	972	5,260	1,952	21,652	25,117	–	54,953
Eliminated on disposals	–	(1,152)	(424)	–	(6,977)	–	(8,553)
Exchange differences	–	10	4	–	28	–	42
As at December 31, 2022	4,908	23,915	8,367	29,722	74,020	–	140,932
Net carrying amount							
As at December 31, 2021	2,798	10,767	5,866	86,185	60,370	15,873	181,859
As at December 31, 2022	2,107	14,644	5,201	1,722,601	37,736	21,891	1,804,180

Note: On July 25, 2022, the Group was notified by the Shanghai United Assets and Equity Exchange of the successful bid for the properties located at 2–12/F, No. 599 South Zhongshan Road (original leased properties) and 1–2/F, No. 666 Waima Road, Huangpu District, Shanghai and on July 27, 2022, the Group entered into the agreement with the transferor.

	Motor vehicles	Electronic equipment	Office equipment	Leasehold land and buildings	Leasehold improvements	Construction in progress	Total
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
Depreciation charged 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

(All amounts in thousands of RMB unless otherwise stated)

17. RIGHT-OF-USE ASSETS

	Land and buildings	Other	Total
Cost			
As at December 31, 2021	251,006	536	251,542
Additions	34,763	46	34,809
Disposals (Note)	(189,135)	(15)	(189,150)
Exchange differences	453	—	453
As at December 31, 2022	97,087	567	97,654
Accumulated depreciation			
As at December 31, 2021	131,040	240	131,280
Depreciation charged for the year	49,804	141	49,945
Eliminated on disposals	(129,261)	(15)	(129,276)
Exchange differences	101	—	101
As at December 31, 2022	51,684	366	52,050
Net carrying amount			
As at December 31, 2021	119,966	296	120,262
As at December 31, 2022	45,403	201	45,604

	Land and buildings	Other	Total
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
Depreciation charged 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

Note: On July 25, 2022, the Group was notified by the Shanghai United Assets and Equity Exchange of the successful bid for the properties located at 2–12/F, No. 599 South Zhongshan Road (original leased properties) and 1–2/F, No. 666 Waima Road, Huangpu District, Shanghai and on July 27, 2022, the Group entered into the agreement with the transferor.

(All amounts in thousands of RMB unless otherwise stated)

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 21 months to 72 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, 2022, expense relating to short-term leases amounted to RMB1,899 thousand (2021: RMB1,185 thousand). For the years ended December 31, 2022 and 2021, no expense was related to leases of low-value assets excluding short-term leases of low value assets.

As at December 31, 2022 and 2021, 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, 2022, total cash outflow for leases amounted to RMB58,080 thousand (2021: RMB68,972 thousand).

In addition, lease liabilities of RMB43,875 thousand were recognised as at December 31, 2022 (December 31, 2021: RMB125,852 thousand) (Note 28). For the year ended December 31, 2022, the interest expenses of lease liabilities amounted to RMB4,217 thousand (2021: RMB7,131 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, 2022 and 2021, the Group did not enter into any lease that was not yet commenced.

18. INTANGIBLE ASSETS

	Computer software and other
Cost	
As at December 31, 2021	44,955
Additions	9,319
As at December 31, 2022	54,274
Accumulated amortisation	
As at December 31, 2021	29,750
Amortisation charged for the year	6,681
As at December 31, 2022	36,431
Carrying amount	
As at December 31, 2021	15,205
As at December 31, 2022	17,843

(All amounts in thousands of RMB unless otherwise stated)

18. INTANGIBLE ASSETS (CONTINUED)

	Computer software and other
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
Amortisation charged 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

(All amounts in thousands of RMB unless otherwise stated)

19. FINANCE LEASE RECEIVABLES

	December 31, 2022	December 31, 2021
Minimum finance lease receivables		
— Within one year	14,822,053	25,533,151
— In the second year	4,761,042	9,925,219
— In the third year	1,324,034	1,871,410
— In the fourth year	565,995	396,805
— In the fifth year	446,252	296,806
— After five years	1,586,042	597,410
Gross amount of finance lease receivables	23,505,418	38,620,801
Less: Unearned finance lease income	(2,457,072)	(3,584,005)
Present value of minimum finance lease receivables	21,048,346	35,036,796
Less: Loss allowance	(1,589,892)	(1,564,209)
Carrying amount of finance lease receivables	19,458,454	33,472,587
Present value of minimum finance lease receivables		
— Within one year	13,305,965	23,211,519
— In the second year	4,249,047	9,021,983
— In the third year	1,167,355	1,697,408
— In the fourth year	501,794	352,818
— In the fifth year	398,372	256,240
— After five years	1,425,813	496,828
Total	21,048,346	35,036,796
Analysed as:		
Current	12,355,870	22,202,398
Non-current	7,102,584	11,270,189
Total	19,458,454	33,472,587

(All amounts in thousands of RMB unless otherwise stated)

19. 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, 2022, the Group's finance lease receivables pledged as collateral for the Group's bank and other financial institutions borrowings amounted to RMB426,016 thousand (December 31, 2021: RMB1,137,119 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
As at December 31, 2021	523,852	496,926	543,431	1,564,209
Changes in the loss allowance:				
— Transfer to Stage 1	23,595	(21,090)	(2,505)	—
— Transfer to Stage 2	(49,993)	51,190	(1,197)	—
— Transfer to Stage 3	(51,423)	(338,538)	389,961	—
— Recovery of finance lease receivables previously written off	—	—	83,099	83,099
— Write-offs	—	—	(653,516)	(653,516)
— Other derecognition	—	—	(599,133)	(599,133)
— (Reversal)/Charge for the year	(6,717)	342,811	859,139	1,195,233
As at December 31, 2022	439,314	531,299	619,279	1,589,892

(All amounts in thousands of RMB unless otherwise stated)

19. FINANCE LEASE RECEIVABLES (CONTINUED)

	Stage 1 12-months ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
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)
— (Reversal)/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

Analysis of present value of minimum finance lease receivables:

	Stage 1 **12-months ECL**	**Stage 2** **Lifetime ECL not** **credit-impaired**	**Stage 3** **Lifetime ECL** **credit-impaired**	**Total**
As at December 31, 2022	**18,404,094**	**1,623,102**	**1,021,150**	**21,048,346**
As at December 31, 2021	32,415,838	1,647,131	973,827	35,036,796

In 2022, 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.

(All amounts in thousands of RMB unless otherwise stated)

20. RECEIVABLES ARISING FROM SALE AND LEASEBACK ARRANGEMENTS

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

	December 31, 2022	December 31, 2021
— Within one year	41,038,254	26,278,930
— In the second year	27,141,407	18,371,251
— In the third year	15,714,479	10,718,660
— In the fourth year	6,709,395	3,873,796
— In the fifth year	3,069,131	1,991,889
— After five years	837,855	158,862
Gross amount of receivables arising from sale and leaseback arrangements	94,510,521	61,393,388
Less: Interest adjustment	(8,775,539)	(5,535,329)
Present value of receivables arising from sale and leaseback arrangements	85,734,982	55,858,059
Less: Loss allowance	(1,185,030)	(770,036)
Carrying amount of receivables arising from sale and leaseback arrangements	84,549,952	55,088,023
Present value of receivables arising from sale and leaseback arrangements:		
— Within one year	37,226,972	23,910,557
— In the second year	24,655,189	16,714,899
— In the third year	14,237,955	9,751,609
— In the fourth year	6,076,049	3,524,290
— In the fifth year	2,779,039	1,812,175
— After five years	759,778	144,529
Total	85,734,982	55,858,059
Analysed as:		
Current	36,702,132	23,566,177
Non-current	47,847,820	31,521,846
Total	84,549,952	55,088,023

As at December 31, 2022, 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 RMB5,005,702 thousand (December 31, 2021: RMB8,024,083 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.

(All amounts in thousands of RMB unless otherwise stated)

20. 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	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
As at December 31, 2021	699,717	41,974	28,345	770,036
Changes in the loss allowance:				
— Transfer to Stage 1	186	(186)	—	—
— Transfer to Stage 2	(34,922)	34,922	—	—
— Transfer to Stage 3	(3,242)	(28,411)	31,653	—
— Recovery of receivables arising from sale and leaseback arrangements previously written-off	—	—	3,591	3,591
— Write-offs	—	—	(23,738)	(23,738)
— Other derecognition	—	—	(67,873)	(67,873)
— Charge for the year	290,623	111,416	100,975	503,014
As at December 31, 2022	952,362	159,715	72,953	1,185,030

	Stage 1 12-months ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
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
— Write-offs	—	—	(17,311)	(17,311)
— Other derecognition	—	—	(7,989)	(7,989)
— 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

(All amounts in thousands of RMB unless otherwise stated)

20. 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	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
As at December 31, 2022	**84,955,976**	**634,235**	**144,771**	**85,734,982**
As at December 31, 2021	55,618,393	179,113	60,553	55,858,059

In 2022, 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.

21. LOANS AND RECEIVABLES

	December 31, 2022	December 31, 2021
Factoring receivables	**–**	6,030,532
Entrusted loans and other loans	**511,985**	717,636
Sub-total	**511,985**	6,748,168
Less: Loss allowance for factoring receivables	**–**	(214,197)
Loss allowance for entrusted loans and other loans	**(163,468)**	(152,045)
Total	**348,517**	6,381,926
Analysed as:		
Current	**343,387**	5,806,749
Non-current	**5,130**	575,177
Total	**348,517**	6,381,926

(All amounts in thousands of RMB unless otherwise stated)

21. LOANS AND RECEIVABLES (CONTINUED)

21a. The table below illustrates the gross and net amounts of factoring receivables:

	December 31, 2022	December 31, 2021
Within one year	–	6,060,624
More than one year but not exceeding five years	–	442,283
More than five years	–	61,183
Gross amount of factoring receivables	–	6,564,090
Less: Interest adjustment	–	(533,558)
Present value of factoring receivables	–	6,030,532
Less: Loss allowance	–	(214,197)
Carrying amount of factoring receivables	–	5,816,335
Present value of factoring receivables:		
— Within one year	–	5,567,990
— More than one year but not exceeding five years	–	406,290
— More than five years	–	56,252
Total	–	6,030,532

21b. The table below illustrates the present value and net amounts of entrusted loans and other loans:

	December 31, 2022	December 31, 2021
Within one year	506,711	579,600
More than one year but not exceeding five years	5,274	138,036
Present value of entrusted loans and other loans	511,985	717,636
Less: Loss allowance	(163,468)	(152,045)
Carrying amount of entrusted loans and other loans	348,517	565,591

(All amounts in thousands of RMB unless otherwise stated)

21. LOANS AND RECEIVABLES (CONTINUED)

21c. Movements of loss allowance for loans and receivables:

	Stage 1 12-months ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
As at December 31, 2021	110,783	249,589	5,870	366,242
Changes in the loss allowance:				
— Write-offs	—	—	(2,102)	(2,102)
— Other derecognition	—	(101,867)	9,044	(92,823)
— (Reversal)/Charge for the year	(107,962)	12,445	(12,812)	(108,329)
— Exchange differences	480	—	—	480
As at December 31, 2022	3,301	160,167	—	163,468

	Stage 1 12-months ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
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)
— (Reversal)/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

(All amounts in thousands of RMB unless otherwise stated)

21. LOANS AND RECEIVABLES (CONTINUED)

21d. Analysis of loans and receivables balances:

	Stage 1 12-months ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
As at December 31, 2022	**133,373**	**378,612**	**–**	**511,985**
As at December 31, 2021	5,803,806	935,291	9,071	6,748,168

22. DEFERRED TAXATION

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

	December 31, 2022	December 31, 2021
Deferred tax assets	**1,676,878**	1,578,035
Deferred tax liabilities	**(13,360)**	(16,297)
	1,663,518	1,561,738

(All amounts in thousands of RMB unless otherwise stated)

22. DEFERRED TAXATION (CONTINUED)

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

	Loss allowance	Changes in fair value of derivatives	Changes in fair value of financial assets at fair value through profit or loss	Deductible tax losses	Accelerated depreciation	Other	Total
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
Credit/(Charge) to profit or loss	**33,361**	**(33)**	**35,611**	**12,458**	**(12,084)**	**1,686**	**70,999**
Credit to other comprehensive income	**—**	**29,821**	**—**	**—**	**—**	**—**	**29,821**
Exchange differences	**345**	**(2)**	**—**	**5,328**	**(5,001)**	**290**	**960**
As at December 31, 2022	**1,583,494**	**26,040**	**19,433**	**81,496**	**(67,274)**	**20,329**	**1,663,518**

The Group did not have significant unrecognised deferred tax assets as at December 31, 2022 (December 31, 2021: nil).

(All amounts in thousands of RMB unless otherwise stated)

23. OTHER ASSETS

Non-current

	December 31, 2022	December 31, 2021
Long-term receivables from government cooperation projects (Note)	**1,185,230**	891,972
Other long-term receivables	**550,155**	74,276
Financial assets measured at amortised cost	**428,905**	435,744
Continuing involvement assets (Note 37)	**412,055**	274,115
Repossession of finance lease assets	**157,048**	254,186
Foreclosed assets	**87,170**	250,798
Prepayments on acquisition of property and equipment and intangible assets	**3,374**	786
Deposits	**—**	10,005
Other	**54,597**	63,187
Sub-total	**2,878,534**	2,255,069
Less: Expected credit loss allowance	**(27,949)**	(17,409)
Allowance for impairment losses	**(72,133)**	(35,640)
Total	**2,778,452**	2,202,020

Note: The Group provides financing services to local government-led infrastructure development and operation project participants through the public-private partnership model ("PPP Model"). The receivables from government-led projects under PPP Model are recognised in long-term receivables from government cooperation projects and project payables are recognised in government cooperation project payables, refer to Note 32.

(All amounts in thousands of RMB unless otherwise stated)

23. OTHER ASSETS (CONTINUED)

Current

	December 31, 2022	December 31, 2021
Properties under development	732,054	591,921
Value added tax ("VAT") credit and other	196,402	255,710
Notes receivable	134,571	34,345
Other long-term receivables	42,043	209,968
Prepayments	24,105	51,479
Deposits	11,095	11,349
Financial assets measured at amortised cost	—	263,483
Continuing involvement assets (Note 37)	—	36,588
Other	46,915	46,007
Sub-total	1,187,185	1,500,850
Less: Expected credit loss allowance	(1,013)	(3,562)
Total	1,186,172	1,497,288

Movements of expected credit loss allowance for other assets are as follows:

	December 31, 2022	December 31, 2021
At beginning of the year	20,971	7,193
Charged to profit or loss (Note 12)	7,991	13,778
Derecognition	—	—
At end of the year	28,962	20,971

Movements of impairment allowance for other assets are as follows:

	December 31, 2022	December 31, 2021
At beginning of the year	35,640	11,934
Charged to profit or loss	59,166	38,699
Derecognition	(22,673)	(14,993)
At end of the year	72,133	35,640

(All amounts in thousands of RMB unless otherwise stated)

24. ACCOUNTS RECEIVABLE

	December 31, 2022	December 31, 2021
Accounts receivable from:		
— settlement of receivable and others	**166,590**	28,605
— operating lease	**62,470**	57,563
Sub-total	**229,060**	86,168
Less: Loss allowance	**(32,104)**	(37,453)
Total	**196,956**	48,715

Analysed by aging as:

	December 31, 2022	December 31, 2021
Within one year	**196,940**	48,715
More than one year but not exceeding two years	**16**	—
Total	**196,956**	48,715

Movements of loss allowance for accounts receivable are as follows:

	December 31, 2022	December 31, 2021
At beginning of the year	**37,453**	34,330
(Credited)/Charged to profit or loss	**(6,066)**	7,349
Write-offs	**—**	(4,016)
Exchange differences	**717**	(210)
At end of the year	**32,104**	37,453

(All amounts in thousands of RMB unless otherwise stated)

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31, 2022	December 31, 2021
Measured at fair value:		
Funds	**20,020**	384,327
Wealth management products	**—**	800,063
Equity instruments	**455,637**	529,485
Asset management schemes and trust plans	**237,683**	410,513
Total	**713,340**	2,124,388
Analysed as:		
Unlisted	**343,332**	1,701,942
Listed	**370,008**	422,446
Analysed as:		
Current	**605,987**	1,996,289
Non-current	**107,353**	128,099
Total	**713,340**	2,124,388

(All amounts in thousands of RMB unless otherwise stated)

26. DERIVATIVE FINANCIAL INSTRUMENTS

	December 31, 2022		
	Nominal Amount	Assets	Liabilities
Derivatives under hedge accounting:			
Interest rate swaps ("IRS")	**2,437,841**	**87,005**	**(18,745)**
Currency forwards	**1,443,475**	**19,988**	**(40,626)**
Cross currency interest rate swaps	**1,256,077**	**6,363**	**(16,800)**
Total	**5,137,393**	**113,356**	**(76,171)**

	December 31, 2021		
	Nominal Amount	Assets	Liabilities
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)

As at December 31, 2022, fixed interest rates for USD IRS ranged from 1.3700% to 4.3650% (December 31, 2021: from 1.3700% to 4.3650%), and no RMB IRS were held by the Group (fixed interest rates for RMB IRS as at December 31, 2021: 4.4500%).

As at December 31, 2022, currency forwards with forward exchange rates of buying USD and selling RMB ranged from 6.4825 to 7.3891 (December 31, 2021: from 6.5667 to 7.3891), buying EUR and selling RMB ranged from 7.0681 to 7.4909 (December 31, 2021: N/A).

As at December 31, 2022, cross currency interest rate swaps with fixed interest rates for USD IRS ranged from 3.1300% to 3.5200% (December 31, 2021: from 3.1300% to 3.7400%) and with forward exchange rates of buying USD and selling RMB ranged from 7.0476 to 7.0980 (December 31, 2021: from 6.3924 to 7.0980), for HKD IRS ranged from 3.8000% to 4.3000% (December 31, 2021: from 4.1500% to 4.3500%) and with forward exchange rates of buying HKD and selling RMB ranged from 0.8105 to 0.8810 (December 31, 2021: from 0.8215 to 0.8350).

(All amounts in thousands of RMB unless otherwise stated)

26. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Cash flow hedges

During the year ended December 31, 2022, 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, 2022, the Group's net increase before tax from the cash flow hedges recognised in other comprehensive income was RMB15,699 thousand (year ended December 31, 2021: net increase of RMB98,945 thousand), and the net increase after considering the impact of income tax was RMB45,520 thousand (year ended December 31, 2021: net increase of RMB94,909 thousand); the Group reclassified an amount of RMB-261,966 thousand from other comprehensive income to profit or loss due to fluctuations in exchange rates and interest rates (year ended December 31, 2021: an amount of RMB188,075 thousand). Gains or losses arising from ineffective portion of cash flow hedge were immaterial. There were no transactions for which cash flow hedge accounting had to be ceased as a result of the highly probable cash flows no longer being expected to occur.

27. CASH AND BANK BALANCES

	December 31, 2022	December 31, 2021
Restricted bank deposits (Note i)	**711,572**	656,793
Cash and bank balances (Note ii)	**5,409,483**	6,081,815
Less: Loss allowance	**(81)**	(37)
Total	**6,120,974**	6,738,571

Note i: This represents deposits held by the Group that were pledged mainly relating to bank acceptance bills and aircraft maintenance funds as at December 31, 2022 and 2021, and were restricted for use.

Note ii: As at December 31, 2022, no time deposits with original maturity more than three months were in cash and bank balances (December 31, 2021: RMB84,000 thousand).

(All amounts in thousands of RMB unless otherwise stated)

28. BORROWINGS

	December 31, 2022	December 31, 2021
Bank borrowings	**47,665,564**	41,029,448
Other financial institutions borrowings	**926,164**	1,534,878
Lease liabilities	**43,875**	125,852
Borrowings from a related party	**—**	1,039,239
Interest payable	**183,678**	212,216
Total	**48,819,281**	43,941,633
Analysed as:		
Current	**25,672,450**	25,796,405
Non-current	**23,146,831**	18,145,228
Total	**48,819,281**	43,941,633

28a. Bank borrowings

	December 31, 2022	December 31, 2021
Secured borrowings	**7,611,797**	9,184,524
Unsecured and unguaranteed borrowings	**40,053,767**	31,844,924
Total	**47,665,564**	41,029,448
Analysed as:		
Current	**25,090,892**	23,121,516
Non-current	**22,574,672**	17,907,932
Total	**47,665,564**	41,029,448

(All amounts in thousands of RMB unless otherwise stated)

28. BORROWINGS (CONTINUED)

28a. Bank borrowings (continued)

	December 31, 2022	December 31, 2021
Carrying amount repayable:		
Within one year	**25,090,892**	23,121,516
More than one year but not exceeding two years	**11,599,756**	10,480,106
More than two years but not exceeding five years	**10,082,209**	6,846,556
More than five years	**892,707**	581,270
Total	**47,665,564**	41,029,448

The secured borrowings were pledged by finance lease receivables and receivables arising from sale and leaseback arrangements. Certain secured borrowings were also mortgaged by property and equipment and the Company's equity interests in subsidiaries. Refer to Notes 16, 19 and 20 for details.

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

	December 31, 2022	December 31, 2021
Contractual interest rate:		
Fixed-rate borrowings	**1.49% to 4.60%**	3.50% to 5.45%
Floating-rate borrowings	**LPR Plus -1.25% to 0.95%**	LPR Plus -1.25% to 1.47%
	London Inter Bank Offered Rate ("LIBOR") Plus 0.92% to 1.75%	London Inter Bank Offered Rate ("LIBOR") Plus 0.92% to 1.80%
	Hong Kong Inter Bank Offered Rate ("HIBOR") Plus 0.20% to 1.00%	Hong Kong Inter Bank Offered Rate ("HIBOR") Plus 0.50% to 0.71%

(All amounts in thousands of RMB unless otherwise stated)

28. BORROWINGS (CONTINUED)

28b. Other financial institutions borrowings

	December 31, 2022	December 31, 2021
Secured borrowings	516,620	537,377
Unsecured and unguaranteed borrowings	409,544	997,501
Total	926,164	1,534,878
Analysed as:		
Current	374,016	1,364,008
Non-current	552,148	170,870
Total	926,164	1,534,878

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

	December 31, 2022	December 31, 2021
Carrying amount repayable:		
Within one year	374,016	1,364,008
More than one year but not exceeding two years	311,365	153,156
More than two years but not exceeding five years	240,783	17,714
Total	926,164	1,534,878

As at December 31, 2022 and 2021, the effective interest rate per annum of the borrowings from other financial institutions ranged from 3.90% to 4.78% and from 4.05% to 5.45%, respectively.

(All amounts in thousands of RMB unless otherwise stated)

28. BORROWINGS (CONTINUED)

28c. Lease liabilities

	December 31, 2022	December 31, 2021
Carrying amount repayable:		
Within one year	**23,864**	59,426
More than one year but not exceeding two years	**14,351**	47,168
More than two years but not exceeding five years	**5,660**	19,258
Total	**43,875**	125,852
Amount due for settlement within 12 months shown under current liabilities	**23,864**	59,426
Amount due for settlement after 12 months shown under non-current liabilities	**20,011**	66,426

As at December 31, 2022 and 2021, the weighted average incremental borrowing rates applied to lease liabilities ranged from 4.30% to 4.75% and from 4.65% to 4.90%, respectively.

28d. Borrowings from a related party

	December 31, 2022	December 31, 2021
Carrying amount repayable:		
Within one year	**–**	1,039,239
Total	**–**	1,039,239

As at December 31, 2022, there was no related party borrowings.

As at December 31, 2021, the borrowings from a related party were all unsecured, and the effective interest rates per annum of the Group ranged from 3.50% to 4.00%.

(All amounts in thousands of RMB unless otherwise stated)

29. ACCRUED STAFF COSTS

	December 31, 2022	December 31, 2021
Salaries, bonus and allowances and others	**363,352**	286,166
Total	**363,352**	286,166

30. ACCOUNTS PAYABLE

	December 31, 2022	December 31, 2021
Accounts payable for acquisition of leasing equipment and others	**201,746**	34,552
Analysed by aging as:		
Within 90 days	**183,288**	25,247
More than 90 days	**18,458**	9,305
Total	**201,746**	34,552

31. BONDS PAYABLE

	December 31, 2022	December 31, 2021
Analysed as:		
Current	**23,883,071**	23,409,906
Non-current	**18,670,205**	14,865,356
Total	**42,553,276**	38,275,262

(All amounts in thousands of RMB unless otherwise stated)

31. BONDS PAYABLE (CONTINUED)

31a. Bonds payable analysed by nature

	December 31, 2022	December 31, 2021
Ultra-short-term commercial papers (Note i)	4,997,623	5,997,827
Asset-backed securities (Note ii)	10,691,698	9,777,753
Fixed medium-term notes (Note iii)	8,038,543	3,590,840
Corporate bonds (Note iv)	12,968,372	11,062,600
Private placement notes (Note v)	1,996,206	4,689,929
Asset-backed notes (Note vi)	2,440,362	2,735,881
Short-term commercial papers (Note vii)	998,955	—
Interest payable	421,517	420,432
Total	42,553,276	38,275,262

Notes:

(i) Ultra-short-term commercial papers

Issue Date	Outstanding principal amount	Coupon rate	Term
	RMB'million		
May 24, 2022	1,000	2.05%	9 months
June 14, 2022	500	2.06%	9 months
August 8, 2022	1,000	2.03%	9 months
August 22, 2022	1,000	1.86%	8 months
October 25, 2022	500	1.86%	5 months
November 15, 2022	1,000	2.51%	9 months

(All amounts in thousands of RMB unless otherwise stated)

31. BONDS PAYABLE (CONTINUED)

31a. Bonds payable analysed by nature (continued)

Notes: (continued)

(ii) Asset-backed securities

Issue Date	Outstanding principal amount RMB'million	Coupon rate (Note)	Term
April 7, 2020	Senior: 190; Junior: 10	Senior: 5.00%	Senior: 3 years+3 years; Junior: 3 years+3 years
October 22, 2020	Senior: 7; Junior: 50	Senior: 4.30%	Senior: 33 months; Junior: 33 months
December 9, 2020	Senior: 40; Junior: 50	Senior: 4.30%	Senior: 32 months; Junior: 36 months
February 2, 2021	Senior: 45; Junior: 50	Senior: 4.55%	Senior: 30 months; Junior: 33 months
March 25, 2021	Senior: 49; Junior: 50	Senior: 4.50%	Senior: 29 months; Junior: 36 months
April 29, 2021	Senior: 88; Junior: 50	Senior: 4.00% and 4.50%	Senior: 28 months; Junior: 34 months
May 31, 2021	Senior: 39; Junior: 50	Senior: 4.35%	Senior: 19 months; Junior:55 months
June 17, 2021	Senior: 84; Junior: 50	Senior: 3.80% and 4.40%	Senior: 26 months; Junior: 35 months
August 5, 2021	Senior: 114; Junior: 50	Senior: 3.50% and 4.20%	Senior: 26 months; Junior: 35 months
September 24, 2021	Senior: 138; Junior: 50	Senior: 3.83% and 3.99%	Senior: 20 months; Junior: 44 months
November 19, 2021	Senior: 232; Junior: 50	Senior: 3.80% and 3.95%	Senior: 22 months; Junior: 57 months
December 8, 2021	Senior: 180; Junior: 50	Senior: 3.78% and 4.00%	Senior: 21 months; Junior: 33 months
December 29, 2021	Senior: 235; Junior: 50	Senior: 3.80% and 3.95%	Senior: 20 months; Junior: 59 months
January 26, 2022	Senior: 141; Junior: 50	Senior: 3.30% and 3.40%	Senior: 16 months; Junior: 58 months
April 13, 2022	Senior: 421; Junior: 60	Senior: 3.24% and 3.40%	Senior: 20 months; Junior: 56 months
May 18, 2022	Senior: 570; Junior: 60	Senior: 2.69%, 2.95% and 3.20%	Senior: 22 months; Junior: 55 months
June 29, 2022	Senior: 701; Junior: 50	Senior: 2.69%, 3.19% and 3.60%	Senior: 32 months; Junior: 56 months
July 12, 2022	Senior: 793; Junior: 60	Senior: 2.60%, 3.00% and 3.03%	Senior: 23 months; Junior: 58 months
September 8, 2022	Senior: 962; Junior: 60	Senior: 2.30%, 2.79% and 2.80%	Senior: 24 months; Junior: 60 months
September 16, 2022	Senior: 1,425; Junior: 75	Senior: 4.10%	Senior: 39 months; Junior: 72 months
September 21, 2022	Senior: 822; Junior: 50	Senior: 2.25%, 2.98% and 3.40%	Senior: 35 months; Junior: 59 months
November 25, 2022	Senior: 1,140; Junior: 60	Senior: 3.18%, 3.50% and 3.60%	Senior: 24 months; Junior: 60 months
December 23, 2022	Senior: 1,425; Junior: 75	Senior: 4.48%	Senior: 36 months; Junior: 72 months
December 23, 2022	Senior: 950; Junior: 50	Senior: 4.30%	Senior: 11 months; Junior: 11 months

Note: Certain senior tranches have sub-tranches with varying coupon rates.

(All amounts in thousands of RMB unless otherwise stated)

31. BONDS PAYABLE (CONTINUED)

31a. 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
January 18, 2021	500	4.00%	2 years
December 7, 2021	1,000	3.70%	3 years
January 11, 2022	800	3.64%	3 years
May 25, 2022	1,000	3.42%	3 years
August 8, 2022	1,200	3.25%	3 years
December 13, 2022	1,000	4.13%	3 years

Issue Date	Outstanding principal amount	Coupon rate	Term
	USD'million		
May 28, 2021	100	3.00%	3 years
April 27, 2022	200	4.20%	3 years

(iv) Corporate bonds

Issue Date	Outstanding principal amount	Coupon rate	Term
	RMB'million		
May 6, 2020	1,000	3.50%	3 years
July 24, 2020	1,200	4.00%	3 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
April 19, 2022	1,500	3.48%	2 years
April 28, 2022	500	3.57%	3 years
June 17, 2022	1,000	3.16%	2 years
July 5, 2022	600	3.44%	3 years
October 19, 2022	1,000	3.13%	3 years

(All amounts in thousands of RMB unless otherwise stated)

31. BONDS PAYABLE (CONTINUED)

31a. Bonds payable analysed by nature (continued)

Notes: (continued)

(v) Private placement notes

Issue Date	Outstanding principal amount	Coupon rate	Term
	RMB'million		
June 2, 2021	1,000	3.95%	2 years
November 9, 2021	1,000	4.19%	3 years

(vi) Asset-backed notes

Issue Date	Outstanding principal amount	Coupon rate (Note)	Term
	RMB'million		
November 25, 2021	Senior: 186; Junior: 50	Senior: 3.95%	Senior: 18 months; Junior: 57 months
March 8, 2022	Senior: 454; Junior: 50	Senior: 3.30% and 3.50%	Senior: 30 months; Junior: 45 months
July 21, 2022	Senior: 855; Junior: 45	Senior: 2.30%	Senior: 6 months; Junior: 24 months
September 19, 2022	Senior: 950; Junior: 50	Senior: 2.10%	Senior: 6 months; Junior: 99 months

Note: Certain senior tranches have sub-tranches with varying coupon rates.

(vii) Short-term commercial papers

Issue Date	Outstanding principal amount	Coupon rate	Term
	RMB'million		
October 24, 2022	1,000	2.45%	12 months

(All amounts in thousands of RMB unless otherwise stated)

32. OTHER LIABILITIES

Current

	December 31, 2022	December 31, 2021
Deposits due within one year	**2,653,842**	3,750,062
Bank acceptance bills	**2,047,521**	1,880,881
Government cooperation project payables (Note 23)	**254,424**	295,401
Accrued expenses	**243,355**	193,793
Contract liabilities	**159,962**	100,000
Other taxes payable	**63,327**	70,990
Deferred revenue	**53,128**	82,619
Government outsourcing project payables	**35,174**	63,220
Advance receipt	**24,573**	27,201
Continuing involvement liabilities (Note 37)	**—**	36,588
Other payables	**1,149,169**	559,559
Total	**6,684,475**	7,060,314

Non-current

	December 31, 2022	December 31, 2021
Deposits from customers	**4,303,758**	5,207,591
Deferred revenue	**422,792**	435,446
Continuing involvement liabilities (Note 37)	**412,055**	274,115
Aircraft maintenance funds	**325,655**	225,637
Contract liabilities	**144,038**	—
Deposits from suppliers and agents	**94,145**	93,140
Accrued expenses	**71,232**	—
Government cooperation project payables (Note 23)	**69,897**	—
Other payables	**452,326**	296,516
Total	**6,295,898**	6,532,445

(All amounts in thousands of RMB unless otherwise stated)

33. SHARE CAPITAL

	December 31, 2022		December 31, 2021	
	Number of shares (thousand)	Nominal Value	Number of shares (thousand)	Nominal Value
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.

34. OTHER EQUITY INSTRUMENTS

(1) Other equity instruments issued by the Company at the end of the year:

(i) The Company issued renewable corporate bonds with value date on March 1, 2021 and principal amount of RMB1,500,000 thousand on February 26, 2021. This issue is divided into two tranches of notes with principal amount of RMB1,200,000 thousand for Variety 1 and RMB300,000 thousand for Variety 2. On March 1, 2022, the Company redeemed the above mentioned Variety 1 of the renewable corporate bonds with principal amount of RMB1,200,000 thousand in full amount.

(ii) The Company issued renewable corporate bonds with value date on September 10, 2021 and principal amount of RMB530,000 thousand on September 9, 2021.

(iii) The Company issued renewable corporate bonds with value date on March 14, 2022 and principal amount of RMB970,000 thousand on March 11, 2022.

(iv) The Company issued renewable corporate bonds with value date on November 21, 2022 and principal amount of RMB500,000 thousand on November 17, 2022.

The above financial instruments (i–iv) have no fixed maturity date and the Company has the right 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 current interests and all deferred interests at each interest payment date without limit on the number of times the interests deferred; Interest deferring under the situations mentioned above are not considered as a breach of the contract for the Company.

34. OTHER EQUITY INSTRUMENTS (CONTINUED)

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.

(v) The Company issued a renewable trust plan with value date on December 30, 2021 and principal amount of RMB300,000 thousand at December 30, 2021.

The above financial instrument (v) has no fixed maturity date and the Company has the right 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 current interests and all deferred interests at each interest payment date without limit on the number of times the interests deferred; Interest deferred under the situations mentioned above are not considered as a breach of the contract for the Company.

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;
- To declare and pay dividend to ordinary shareholders.

(2) 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 are recognised as other equity instruments under IAS 32 *Financial Instruments: Presentation*.

(3) For the year ended December 31, 2022, profit attributable to the holders of other equity instruments of the Group amounting to RMB97,903 thousand (2021: RMB90,934 thousand), are determined with reference to the distribution rate specified in the terms and conditions.

(4) For the year ended December 31, 2022, the Company had distributed interest to the holders of other equity instruments of the Group amounting to RMB108,553 thousand (2021: RMB64,736 thousand).

(All amounts in thousands of RMB unless otherwise stated)

35. RESERVES

(1) Capital reserve

The movements of the capital reserve of the Group are as follows:

	Beginning of the year	Reduction	End of the year
2022			
Capital premium	2,457,876	—	2,457,876
Other capital reserve	35,086	(6,955)	28,131
Total	2,492,962	(6,955)	2,486,007
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

(2) Surplus reserve

The surplus reserve is the statutory surplus reserve.

Pursuant to the Company Law, 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	Addition	End of the year
2022			
Statutory reserve	585,260	128,134	713,394
2021			
Statutory reserve	409,181	176,079	585,260

35. RESERVES (CONTINUED)

(3) Hedging reserve

The movements of the hedging reserve of the Group are as follows:

	Beginning of the year	Addition	End of the year
2022			
Hedging reserve	**22,716**	**45,520**	**68,236**
2021			
Hedging reserve	(72,193)	94,909	22,716

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.

36. 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 37 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 RMB258 million and RMB1,595 million as of December 31, 2022 and 2021, respectively. As at December 31, 2022 and 2021, total fair value gains from these structured entities amounted to RMB4,704 thousand and RMB19,263 thousand respectively. These amounts are included in the items presented in Notes 6 and 25.

37. 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 of the 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, 2022, the carrying amount of finance lease receivables, receivables arising from sale and leaseback arrangements that have been transferred but not derecognised was RMB10,149 million (December 31, 2021: RMB9,338 million). As at December 31, 2022, the related carrying amount of financial liabilities was RMB10,692 million (December 31, 2021: RMB9,778 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.

37. TRANSFER OF FINANCIAL ASSETS (CONTINUED)

Asset-backed securities (continued)

As at December 31, 2022, the carrying amount of finance lease receivables and receivables arising from sale and leaseback that have been securitised by the Group under arrangements in which the Group retained a continuing involvement in such assets was RMB2,567 million (December 31, 2021: RMB1,857 million). As at December 31, 2022, the carrying amount of assets that the Group continued to recognise was RMB412 million (December 31, 2021: RMB274 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 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, 2022, the carrying amount of finance lease receivables, receivables arising from sale and leaseback arrangements that have been transferred but not derecognised was RMB1,887 million (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).

As at December 31, 2022, the related carrying amount of financial liabilities was RMB2,440 million (December 31, 2021: RMB2,736 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, 2022, no assets were continued to be recognised by the Group.

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. The carrying amount of assets that the Group continued to recognise was RMB37 million. The Group recognised the same amount arising from such continuing involvement in other assets and other liabilities.

(All amounts in thousands of RMB unless otherwise stated)

38. CASH AND CASH EQUIVALENTS

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

	December 31, 2022	December 31, 2021
Deposit in banks	5,409,483	5,997,815
Total	5,409,483	5,997,815

39. 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 presented in operating cash flow.

	As at January 1, 2022	Financing cash flows	Dividends distributed	Foreign exchange losses	Other changes	As at December 31, 2022
Bank borrowings	41,029,448	6,009,601	–	305,725	320,790	47,665,564
Borrowings from a related party	1,039,239	(1,039,239)	–	–	–	–
Borrowings from other financial institutions	1,534,878	(607,218)	–	–	(1,496)	926,164
Bonds payable	37,854,830	4,106,252	–	139,850	30,827	42,131,759
Dividends payable	–	(568,235)	568,235	–	–	–
Distribution of other equity instruments	–	(108,553)	108,553	–	–	–
Lease liabilities	125,852	(51,964)	–	–	(30,013)	43,875
Total	81,584,247	7,740,644	676,788	445,575	320,108	90,767,362

(All amounts in thousands of RMB unless otherwise stated)

39. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES (CONTINUED)

	As at January 1, 2021	Financing cash flows	Dividends distributed	Foreign exchange losses	Other changes	As at December 31, 2021
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. 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:

	December 31, 2022	December 31, 2021
Within one year	**561,069**	492,032
In the second year	**545,913**	544,174
In the third year	**506,162**	499,753
In the fourth year	**467,215**	463,363
In the fifth year	**342,347**	427,709
After five years	**825,812**	1,069,383
Total	**3,248,518**	3,496,414

41. CAPITAL COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	December 31, 2022	December 31, 2021
Contracted, but not provided for:		
Construction agreements under PPP and government outsourcing projects	**608,458**	1,906,032
Total	**608,458**	1,906,032

(All amounts in thousands of RMB unless otherwise stated)

42. 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, 2022 and 2021 are set out below:

For the year ended December 31, 2022

Name	Director fee	Salary and allowances	Employer's contribution to pension schemes	Discretionary bonuses	Total
Executive Directors:					
Ding Xueqing	–	1,554	730	3,490	5,774
Zhou Jianli	–	1,404	566	3,097	5,067
Non-executive Directors:					
Ren Peng	–	–	–	–	–
Ha Erman	–	–	–	–	–
Lu Tong (i)	–	–	–	–	–
Wu Shukun	–	–	–	–	–
Zhang Shaohua	–	–	–	–	–
Independent Non-executive Directors:					
Yao Feng	210	–	–	–	210
Zeng Qingsheng	210	–	–	–	210
Wu Yat Wai	210	–	–	–	210
Yan Lixin	210	–	–	–	210
Jiang Yulin (iv)	131	–	–	–	131
Supervisors:					
Wu Xiangyang (ii)	–	–	–	–	–
Chen Xinji	–	719	201	529	1,449
Hu Zhangming	–	532	119	308	959
	971	4,209	1,616	7,424	14,220

(All amounts in thousands of RMB unless otherwise stated)

42. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

For the year ended December 31, 2021

Name	Director fee	Salary and allowances	Employer's contribution to pension schemes	Discretionary bonuses	Total
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 (iii)	—	—	—	—	—
Wu Shukun	—	—	—	—	—
Zhang Shaohua	—	—	—	—	—
Independent Non-executive Directors:					
Jiang Yulin (iv)	210	—	—	—	210
Yao Feng	210	—	—	—	210
Zeng Qingsheng	210	—	—	—	210
Wu Yat Wai	210	—	—	—	210
Yan Lixin	210	—	—	—	210
Supervisors:					
Zhou Tao (v)	—	—	—	—	—
Zhao Yue (vi)	—	306	71	227	604
Chen Xinji	—	719	188	478	1,385
Hu Zhangming	—	176	37	—	213
	1,050	4,162	1,647	7,843	14,702

42. 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) Lu Tong was appointed as non-executive director in May 2022.

(ii) Wu Xiangyang was appointed as supervisor in May 2022.

(iii) Li Chuan resigned from the position of non-executive director in May 2022.

(iv) Jiang Yulin was removed from the office of the independent non-executive Director by the general meeting of the Company in August 2022.

(v) Zhou Tao resigned from the position of supervisor in May 2022.

(vi) Zhao Yue resigned from the position of supervisor in August 2021.

(All amounts in thousands of RMB unless otherwise stated)

43. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid employees of the Group during the year included two directors (2021: two directors), details of whose remuneration are set out in Note 42 above. Details of the remuneration for the year of the remaining three (2021: three) highest paid employees who are not directors of the Company are as follows:

	Year ended December 31	
	2022	2021
Basic salaries and allowances	**3,148**	3,148
Bonuses	**6,317**	7,269
Employer's contribution to pension schemes	**1,396**	1,408
Total	**10,861**	11,825

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, 2022 and 2021.

The number of the highest paid employees who are not directors of the Company whose remuneration fell within the following bands is as follows:

	Year ended December 31	
	2022	2021
	No. of employees	No. of employees
— HKD3,000,001–HKD4,000,000	**2**	—
— HKD4,000,001–HKD5,000,000	**1**	2
— HKD5,000,001–HKD6,000,000	**—**	1
Total	**3**	3

(All amounts in thousands of RMB unless otherwise stated)

44. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

In addition to the subsidiaries of the Group set out in Note 49, 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
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

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, 2022 and 2021:

(1) Interest expenses

	Year ended December 31	
	2022	2021
Haitong UT Capital Group Co., Limited	**–**	11,993
Unican Limited	**22,007**	39,204

(2) Other operating expenses

	Year ended December 31	
	2022	2021
Shanghai Weitai Properties Management Co., Ltd.	**21**	–

(All amounts in thousands of RMB unless otherwise stated)

44. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

As at December 31, 2022 and 2021, the Group had the following material balances with the related parties:

(3) Cash and bank balances

	December 31, 2022	December 31, 2021
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.

(4) Borrowings

	December 31, 2022	December 31, 2021
Unican Limited	–	1,039,239

(5) Bonds payable

	December 31, 2022	December 31, 2021
Haitong Securities Co., Ltd. (Note)	315,000	–

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

(6) Other liabilities

	December 31, 2022	December 31, 2021
Unican Limited	–	91,272

(7) Other equity instrument

	December 31, 2022	December 31, 2021
Haitong Securities Co., Ltd. (Note)	80,000	20,000

Note: Other equity instrument investment represents Haitong Securities Co., Ltd. invested in the other equity instrument issued by the Company.

(All amounts in thousands of RMB unless otherwise stated)

44. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(8) Other related party transactions

(a) Key management personnel

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

	Year ended December 31	
	2022	2021
Basic salaries and allowances	**6,106**	6,109
Bonuses	**12,904**	14,407
Employer's contribution to pension schemes	**2,692**	2,759
Total	**21,702**	23,275

(b) Payment of referral service fees to related party

	Year ended December 31	
	2022	2021
Haitong Securities Co., Ltd.	**1,767**	2,919
Haitong Futures Co., Ltd.	**—**	333

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 assets.

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

	Year ended December 31	
	2022	2021
Haitong Securities Co., Ltd.	**50,511**	51,990
Shanghai Haitong Securities Asset Management Co., Ltd.	**4,636**	6,739
Haitong International Securities Co., Ltd.	**999**	454
Shanghai HFT Fortune Asset Management Co., Ltd.	**44**	238

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.

(All amounts in thousands of RMB unless otherwise stated)

44. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(8) Other related party transactions (continued)

(d) Proceeds from disposal of property

	Year ended December 31	
	2022	2021
Haitong Securities Co., Ltd.	**–**	1,435,000

Note: In the year of 2021, 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.

45. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY

	December 31, 2022	December 31, 2021
Non-current assets		
Property and equipment	**1,802,903**	180,652
Right-of-use assets	**33,152**	100,460
Intangible assets	**17,262**	14,536
Finance lease receivables	**6,045,122**	9,132,224
Receivables arising from sale and leaseback arrangements	**47,306,203**	30,870,168
Loans and receivables	**–**	484,271
Financial assets at fair value through profit or loss	**64,820**	62,790
Investments in subsidiaries	**4,376,100**	4,499,265
Deferred tax assets	**1,561,513**	1,472,341
Other assets	**1,914,594**	1,481,885
Total non-current assets	**63,121,669**	48,298,592

(All amounts in thousands of RMB unless otherwise stated)

45. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY (CONTINUED)

	December 31, 2022	December 31, 2021
Current assets		
Finance lease receivables	10,620,007	20,600,926
Receivables arising from sale and leaseback arrangements	34,870,324	22,809,223
Loans and receivables	218,445	5,950,671
Other assets	233,621	2,011,751
Accounts receivable	118,843	799
Financial assets at fair value through profit or loss	605,987	1,996,289
Derivative financial assets	32,142	4,575
Cash and bank balances	4,188,686	5,769,625
Total current assets	50,888,055	59,143,859
Total assets	114,009,724	107,442,451
Current liabilities		
Borrowings	24,776,186	23,632,012
Derivative financial liabilities	76,171	163,282
Accrued staff costs	300,241	244,436
Accounts payable	212,136	34,552
Bonds payable	22,413,137	23,328,162
Income tax payable	620,169	696,793
Other liabilities	5,847,147	6,434,330
Total current liabilities	54,245,187	54,533,567
Net current (liabilities)/assets	(3,357,132)	4,610,292
Total assets less current liabilities	59,764,537	52,908,884

(All amounts in thousands of RMB unless otherwise stated)

45. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY (CONTINUED)

	December 31, 2022	December 31, 2021
Equity		
Share capital	8,235,300	8,235,300
Other equity instruments	2,642,903	2,384,512
Reserves		
— Capital reserve	2,483,230	2,490,185
— Surplus reserve	713,394	585,260
— Hedging reserve	(78,391)	11,621
Retained profits	4,246,425	3,661,457
Total equity	18,242,861	17,368,335
Non-current liabilities		
Borrowings	19,895,379	15,227,272
Bonds payable	16,404,721	14,360,485
Other liabilities	5,221,576	5,952,792
Total non-current liabilities	41,521,676	35,540,549
Total equity and non-current liabilities	59,764,537	52,908,884

(All amounts in thousands of RMB unless otherwise stated)

45. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY (CONTINUED)

	Share capital	Other equity instruments	Capital reserve	Surplus reserve	Hedging reserve	Retained profits	Total equity
At December 31, 2021	8,235,300	2,384,512	2,490,185	585,260	11,621	3,661,457	17,368,335
Profit for the year	–	97,903	–	–	–	1,281,414	1,379,317
Other comprehensive expense for the year	–	–	–	–	(90,012)	–	(90,012)
Total comprehensive income/(expense) for the year	–	97,903	–	–	(90,012)	1,281,414	1,289,305
Issuance of other equity instruments	–	1,462,009	–	–	–	–	1,462,009
Redemption of other equity instruments	–	(1,193,045)	(6,955)	–	–	–	(1,200,000)
Appropriation to surplus reserve	–	–	–	128,134	–	(128,134)	–
Distribution of other equity instruments	–	(108,553)	–	–	–	–	(108,553)
Dividends recognised as distribution	–	–	–	–	–	(568,235)	(568,235)
Other	–	77	–	–	–	(77)	–
At December 31, 2022	8,235,300	2,642,903	2,483,230	713,394	(78,391)	4,246,425	18,242,861
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

(All amounts in thousands of RMB unless otherwise stated)

46. FINANCIAL INSTRUMENTS

Categories of financial instruments

	December 31, 2022	December 31, 2021
Financial assets		
Financial assets measured at amortised cost:		
Cash and bank balances	6,120,974	6,738,571
Receivables arising from sale and leaseback arrangements	84,549,952	55,088,023
Loans and receivables	348,517	6,381,926
Accounts receivable	196,956	48,715
Other financial assets	2,782,372	2,286,938
Financial assets at fair value through profit or loss:		
Financial assets at fair value through profit or loss	713,340	2,124,388
Derivative financial assets	113,356	11,079
Total	94,825,467	72,679,640

	December 31, 2022	December 31, 2021
Financial liabilities		
Financial liabilities measured at amortised cost:		
Borrowings	48,819,281	43,941,633
Accounts payable	201,746	34,552
Bonds payable	42,553,276	38,275,262
Other financial liabilities	12,158,976	13,172,788
Financial liabilities at fair value through profit or loss:		
Derivative financial liabilities	76,171	231,247
Total	103,809,450	95,655,482

47. 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 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.

47. 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.

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.

47. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

Group's exposure to credit risk (continued)

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 Group uses forward-looking macro-economic data such as year on year Gross Domestic Product ("GDP"), Consumer Price Index ("CPI"), Fixed-Asset Investment, etc. 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 prediction of authoritative institutions. The Group measures PD as a weighted average of PD under optimistic, neutral, and pessimistic scenarios, with the combination of the loss given default ("LGD") of different business, the Group calculates the forward-looking adjusted ECL. The outstanding estimates used to measurement of ECL as at the end of 2022 are as follows: Three different scenarios("Optimistic", "Neutral" and "Pessimistic") are applicable to all portfolio. The weight of the "Neutral" is the highest among the three scenarios and greater than the sum of the weights of the other two scenarios.

As at the end of 2022, the Group conducted stress testing on the macro-economic data used in forward-looking measurement. When the weights of optimistic scenario increase by 10% and neutral scenario decrease by 10% or pessimistic scenario increase by 10% and neutral scenario decrease by 10%, the impact on the Group's ECL allowances is insignificant.

(All amounts in thousands of RMB unless otherwise stated)

47. 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:

	December 31, 2022	December 31, 2021
Financial assets measured at amortised cost		
Cash and bank balances	6,120,974	6,738,571
Receivables arising from sale and leaseback arrangements	84,549,952	55,088,023
Loans and receivables	348,517	6,381,926
Accounts receivable	196,956	48,715
Other financial assets	2,782,372	2,286,938
Financial assets at fair value through profit or loss:		
Derivative financial assets	113,356	11,079
Finance lease receivables	19,458,454	33,472,587
Total	113,570,581	104,027,839

(All amounts in thousands of RMB unless otherwise stated)

47. 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, 2022 and 2021. 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 19, 20 and 21 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.

Concentration risk analysis for financial assets with credit risk exposure

Industry analysis for present value of minimum finance lease receivables

	As at December 31, 2022		As at December 31, 2021	
	Amounts	%	Amounts	%
Advanced manufacturing	9,702,828	46.10	11,527,593	32.90
Urban public utilities	658,233	3.13	1,322,665	3.78
Energy and environmental protection	725,197	3.45	696,179	1.99
Transportation and logistics	7,054,834	33.52	17,992,928	51.35
Engineering construction	819,129	3.89	418,241	1.19
Cultural tourism	496,209	2.36	764,004	2.18
Medical and health	1,034,286	4.91	1,149,872	3.28
Others	557,630	2.64	1,165,314	3.33
Total	21,048,346	100.00	35,036,796	100.00

(All amounts in thousands of RMB unless otherwise stated)

47. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

Group's exposure to credit risk (continued)

Concentration risk analysis for financial assets with credit risk exposure (continued)

Industry analysis for present value of receivables arising from sale and leaseback arrangements

	As at December 31, 2022		As at December 31, 2021	
	Amounts	%	Amounts	%
Advanced manufacturing	14,909,489	17.39	10,971,071	19.64
Urban public utilities	19,305,680	22.52	12,119,706	21.70
Energy and environmental protection	15,744,620	18.36	10,509,709	18.82
Transportation and logistics	7,570,681	8.83	3,373,614	6.04
Engineering construction	13,686,434	15.96	7,336,473	13.13
Cultural tourism	6,832,345	7.97	4,997,322	8.95
Medical and health	6,182,575	7.21	4,437,544	7.94
Others	1,503,158	1.76	2,112,620	3.78
Total	85,734,982	100.00	55,858,059	100.00

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.

(All amounts in thousands of RMB unless otherwise stated)

47. 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	
	December 31, 2022	December 31, 2021	**December 31, 2022**	December 31, 2021
	RMB'000	RMB'000	**RMB'000**	RMB'000
United States dollar	**918,237**	777,118	**6,829,040**	7,634,403

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% appreciation and depreciation 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.

	December 31, 2022	December 31, 2021
Increase in net profit	**164,915**	174,509

(All amounts in thousands of RMB unless otherwise stated)

47. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk (continued)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's exposure to interest rate risk relates primarily to the Group's bank balances, finance lease receivables, 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.

	December 31, 2022	December 31, 2021
Increase/(Decrease) in net profit		
100 basis points increase	**308,498**	248,372
100 basis points decrease	**(308,498)**	(248,372)

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.

47. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk

Liquidity risk refers to the risk that the Group is unable to obtain fund at a reasonable cost to repay the liabilities or seize other investment opportunities. The objective of the Group's liquidity risk management is to ensure sufficient capital resource at any time to meet the repayment needs of matured liabilities, as well as the lessee's financing demand and seize new investment opportunities.

The major payment demand of the Group is the repayments of matured debt.

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.

(All amounts in thousands of RMB unless otherwise stated)

47. 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, 2022

	Overdue	On demand	Within 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Financial assets and finance lease receivables							
Cash and bank balances	–	6,017,626	86,129	17,574	–	–	6,121,329
Financial assets at fair value through profit or loss	–	166,789	237,683	201,515	21,724	85,629	713,340
Finance lease receivables	991,061	–	4,014,748	9,816,245	7,097,322	1,586,042	23,505,418
Receivables arising from sale and leaseback arrangements	127,770	–	9,774,963	31,135,522	52,634,411	837,855	94,510,521
Loans and receivables	–	–	43,346	554,233	5,495	–	603,074
Accounts receivable	27,803	–	–	201,257	–	–	229,060
Other financial assets	–	189,914	4,852	85,611	1,911,416	1,427,326	3,619,119
Non-derivative financial assets total	1,146,634	6,374,329	14,161,721	42,011,957	61,670,368	3,936,852	129,301,861
Financial liabilities							
Borrowings	–	–	6,176,253	20,811,475	23,549,061	986,978	51,523,767
Accounts payable	–	201,746	–	–	–	–	201,746
Bonds payable	–	–	6,982,064	17,825,988	19,833,277	–	44,641,329
Other financial liabilities	–	1,414,368	929,438	3,825,052	5,485,600	504,518	12,158,976
Non-derivative financial liabilities total	–	1,616,114	14,087,755	42,462,515	48,867,938	1,491,496	108,525,818
Net position	1,146,634	4,758,215	73,966	(450,558)	12,802,430	2,445,356	20,776,043

(All amounts in thousands of RMB unless otherwise stated)

47. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk (continued)

Cash flow for non-derivative financial instruments (continued)

As at December 31, 2021

	Overdue	On demand	Within 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
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

(All amounts in thousands of RMB unless otherwise stated)

47. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk (continued)

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.

	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
December 31, 2022					
Derivative financial instruments settled on net basis	9,918	15,084	48,177	–	73,179
Derivative financial instruments settled on gross basis					
Including: Cash inflow	1,177,279	714,905	796,928	–	2,689,112
Cash outflow	(1,214,325)	(714,167)	(787,883)	–	(2,716,375)
	(37,046)	738	9,045	–	(27,263)

	Less than 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
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)

Interest rate benchmark reform

The Group's IBOR contracts 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.

(All amounts in thousands of RMB unless otherwise stated)

47. FINANCIAL RISK MANAGEMENT (CONTINUED)

Interest rate benchmark reform (continued)

The following table shows the outstanding carrying amount of financial instruments subject to interest rate benchmark reform, by main benchmark but have not yet transition to alternative benchmark interest rates, as at December 31, 2022 and 2021:

	London Interbank Offered Rate ("LIBOR")	Hong Kong Interbank Offered Rate ("HIBOR")
December 31, 2022		
Financial Assets		
Loans and receivables	**130,073**	**–**
Financial liabilities		
Borrowings	**4,125,004**	**40,557**

	London Interbank Offered Rate ("LIBOR")	Hong Kong Interbank Offered Rate ("HIBOR")
December 31, 2021		
Financial Assets		
Loans and receivables	308,986	–
Financial liabilities		
Borrowings	5,423,299	693,838

(All amounts in thousands of RMB unless otherwise stated)

47. FINANCIAL RISK MANAGEMENT (CONTINUED)

Interest rate benchmark reform (continued)

The following table shows the outstanding carrying amount of hedging instruments subject to interest rate benchmark reform, by main benchmark but have not yet transition to alternative benchmark interest rates, as at December 31, 2022 and 2021:

	Carrying amount as at December 31, 2022				
Hedge Accounting	**Notional**	**Assets**	**Liabilities**	**Consolidated Financial Statements item**	**Notional amount directly impacted by IBOR reform**
London Interbank Offered Rate ("LIBOR")					
Interest rate swaps	**2,437,841**	**87,005**	**(18,745)**	**Derivative financial instruments**	**2,437,841**
Cross currency interest rate swaps	**679,049**	**–**	**(16,800)**	**Derivative financial instruments**	**679,049**
Hong Kong Interbank Offered Rate ("HIBOR")					
Cross currency interest rate swaps	**40,557**	**61**	**–**	**Derivative financial instruments**	**40,557**

	Carrying amount as at December 31, 2021				
Hedge Accounting	Notional	Assets	Liabilities	Consolidated Financial Statements item	Notional amount directly impacted by IBOR reform
London Interbank Offered Rate ("LIBOR")					
Interest rate swaps	2,594,286	11,079	(67,973)	Derivative financial instruments	2,594,286
Cross currency interest rate swaps	1,386,715	–	(66,579)	Derivative financial instruments	1,386,715
Hong Kong Interbank Offered Rate ("HIBOR")					
Cross currency interest rate swaps	693,837	–	(22,406)	Derivative financial instruments	693,837

None of the above contracts has been transitioned to the relevant reform rates as at December 31, 2022 and 2021.

There were no significant impacts from items above on the Group's consolidated financial statements.

(All amounts in thousands of RMB unless otherwise stated)

47. FINANCIAL RISK MANAGEMENT (CONTINUED)

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, 2022 and 2021, the risk assets to net assets ratio complied with the aforementioned regulations.

48. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Group's certain 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 December 31, 2022	Fair value as at December 31, 2021	Fair value hierarchy	Valuation technique(s) and key input(s)
1) Financial assets at fair value through profit or loss				
— Funds	20,020	384,327	Level 2	Net asset value as published by the fund manager.
— Wealth management products	–	800,063	Level 2	Net asset value as published by the product manager.
— Equity instruments	146,769	98,855	Level 1	Quoted bid price in an active market.
	308,868	430,630	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	237,683	410,513	Level 2	Net asset value as published by the issuer/financial institution.

(All amounts in thousands of RMB unless otherwise stated)

48. 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 December 31, 2022	Fair value as at December 31, 2021	Fair value hierarchy	Valuation technique(s) and key input(s)
2) Currency forwards	**Assets: 19,988 Liabilities: (40,626)**	Assets: — Liabilities: (74,157)	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: 87,005 Liabilities: (18,745)**	Assets: 11,079 Liabilities: (68,105)	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: 6,363 Liabilities: (16,800)**	Assets: — Liabilities: (88,985)	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.

(All amounts in thousands of RMB unless otherwise stated)

48. 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 December 31, 2022, 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, 2022 and 2021.

The following table represents the changes in Level 3 financial instruments for the relevant years.

Financial assets at FVTPL

	Year ended December 31	
	2022	2021
At the beginning of the year	**430,630**	270,930
Changes in fair value recognised in profit or loss	**(121,762)**	38,339
Additions	**—**	71,988
Disposal	**—**	(598)
Transfer from level 2	**—**	65,309
Transfer to level 1	**—**	(15,338)
At the end of the year	**308,868**	430,630
Total gains/(losses) for assets held at the end of the year		
— unrealised gains/(losses) recognised in profit or loss	**(121,762)**	32,937

(All amounts in thousands of RMB unless otherwise stated)

48. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Financial instruments that are not measured at fair value

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

	December 31, 2022				
	Carrying amount	**Fair value**	**Level 1**	**Level 2**	**Level 3**
Financial liabilities:					
Bonds payable	**42,553,276**	**42,687,995**	**—**	**42,687,995**	**—**

	December 31, 2021				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial liabilities:					
Bonds payable	38,275,262	38,582,276	—	38,582,276	—

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.

(All amounts in thousands of RMB unless otherwise stated)

49. 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, 2022	2021	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.	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	PRC, 2018	RMB 15,000,000	**95%**	95%	Government outsourcing businesses, PRC
Longyao County Hengjing Engineering Project Management Co., Ltd.	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) (Note ii)	PRC, 2019	RMB 214,661,100	**N/A**	75%	PPP project management, PRC

(All amounts in thousands of RMB unless otherwise stated)

49. 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, 2022	2021	Principal activities/ place of operation
Directly held (continued):					
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.	PRC, 2016	RMB 1,500,000,000	**100%**	100%	Leasing, PRC
Shanghai Dingjie Construction Development Co., Ltd.	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
Haitong Unitrust No.6 Limited	Ireland, 2017	USD 1	**100%**	100%	Aircraft leasing
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 34,318,864 (Note iv)	**100%**	100%	Aircraft leasing, Qatar (Note iii)
Haitong UT HK 2 Limited	Hong Kong, 2018	USD 34,496,253 (Note iv)	**100%**	100%	Aircraft leasing, Qatar (Note iii)
Haitong UT HK 3 Limited	Hong Kong, 2018	USD 9,946,229 (Note iv)	**100%**	100%	Aircraft leasing, Indonesia (Note iii)

(All amounts in thousands of RMB unless otherwise stated)

49. 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, 2022	2021	Principal activities/ place of operation
Indirectly held (continued):					
Haitong UT HK 4 Limited	Hong Kong, 2018	USD 9,935,502 (Note iv)	**100%**	100%	Aircraft leasing, Indonesia (Note iii)
Haitong UT HK 5 Limited	Hong Kong, 2018	USD 9,823,594 (Note iv)	**100%**	100%	Aircraft leasing, PRC (Note iii)
Haitong UT HK 6 Limited	Hong Kong, 2018	USD 9,819,150 (Note iv)	**100%**	100%	Aircraft leasing, PRC (Note iii)
Haitong UT HK 7 Limited	Hong Kong, 2018	USD 23,719,696 (Note iv)	**100%**	100%	Aircraft leasing, PRC (Note iii)
Haitong UT HK 8 Limited	Hong Kong, 2018	USD 23,112,966 (Note iv)	**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 12,982,749 (Note iv)	**100%**	100%	Aircraft leasing, Malaysia (Note iii)
Haitong UT HK 16 Limited	Hong Kong, 2019	USD 14,670,686 (Note iv)	**100%**	100%	Aircraft leasing, Malaysia (Note iii)
Haitong UT HK 17 Limited	Hong Kong, 2019	USD 17,675,148 (Note iv)	**100%**	100%	Aircraft leasing, PRC (Note iii)
Haitong UT HK 18 Limited	Hong Kong, 2020	USD 9,775,304 (Note iv)	**100%**	100%	Aircraft leasing, PRC (Note iii)
Haitong UT HK 19 Limited	Hong Kong, 2020	USD 10,939,475 (Note iv)	**100%**	100%	Aircraft leasing, PRC (Note iii)

(All amounts in thousands of RMB unless otherwise stated)

49. 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, 2022	2021	Principal activities/ place of operation
Indirectly held (continued):					
Haitong UT Brilliant Limited	Hong Kong, 2020	USD 1	**100%**	100%	Financing vehicle, Hong Kong
Haitong Unitrust No.1 Leasing (Tianjin) Corporation	PRC, 2019	RMB100,000	**100%**	100%	Aircraft leasing, PRC (Note iii)
Haitong Unitrust No.2 Leasing (Tianjin) Corporation	PRC, 2019	RMB100,000	**100%**	100%	Aircraft leasing, PRC (Note iii)
Haitong Unitrust No.3 Leasing (Tianjin) Corporation	PRC, 2021	RMB100,000	**100%**	100%	Aircraft leasing, PRC (Note iii)
Haitong Unitrust No.4 Leasing (Tianjin) Corporation	PRC, 2021	RMB100,000	**100%**	100%	Aircraft leasing, PRC (Note iii)
Haitong UT Holding Limited (Note v)	Hong Kong, 2017	USD 1,000,000	**N/A**	100%	Leasing, Hong Kong

Note i: During the year ended December 31, 2022, the subsidiary of the Company received capital injection of RMB3,915 thousand from its minority shareholders (2021: RMB31,250 thousand). The capital injections from the above minority shareholders were recognised as non-controlling interests.

Note ii: The Company transferred all its shareholding of Le'an County Dingxin Engineering Project Management Co., Ltd. in 2022.

Note iii: Place of operation represents the location of the lessee in aircraft leasing business.

Note iv: The subsidiary of the Company completed the procedures for the change of registered capital in February, 2023.

Note v: It was liquidated in 2022.

As at December 31, 2022 and 2021, 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, 2022, none of the subsidiaries had issued any debt securities at the end of the year except for Haitong UT Brilliant Limited which had medium term notes with outstanding principal of USD300 million and Haitong UT MSE Financial Leasing (Shanghai) Co., Ltd. which had asset-backed securities with outstanding principal of RMB1,884 million, that the Group had no interest in.

50. SUBSEQUENT EVENTS

The Group had no material subsequent events required disclosures after December 31, 2022.

51. COMPARATIVE FIGURES

Certain comparative figures have been adjusted to conform with changes in disclosures in current year.