



# 海通恆信國際融資租賃股份有限公司

Haitong Unitrust International Financial Leasing Co., Ltd.

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

Stock Code: 1905

# 2023

Interim Report

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# Company Profile

The Group is a large and steadily growing financial leasing company in China. As the sole leasing platform and an important segment of Haitong Securities, a leading securities company 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 focused on its primary leasing business and 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, construction, transportation & logistics, 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 ecosystem partners, etc., in an effort to achieve a win-win situation. We have formed a competitive advantage with unique securities firm characteristics, including coordinated allocation of resources and assets and balanced growth of business scale and income.

The Group’s headquarters is located in Shanghai and operates six specialized business departments, namely Public Services Department, Advanced Manufacturing Business Department, Digital Environmental Protection Business Department, Construction Business Department, Healthcare Business Department and Asset Transaction Department. We have also established 20 branches all over the country. 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. ZHANG Xinjun  
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. DING Xueqing  
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  
Mr. LAM Kang Chi<sup>(Note)</sup>

## AUTHORIZED REPRESENTATIVES

Mr. DING Xueqing  
Mr. LAM Kang Chi<sup>(Note)</sup>

(Note) On May 12, 2023, Ms. So Shuk Yi Betty resigned as the joint company secretary, the authorized representative and the process agent of the Company, and Mr. Lam Kang Chi was appointed as the joint company secretary, the authorized representative and the process agent of the Company. For details, please refer to the announcement of the Company dated May 12, 2023.

# Corporate Information

## LEGAL ADVISORS

*as to Hong Kong law*

Davis Polk & Wardwell  
10th 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

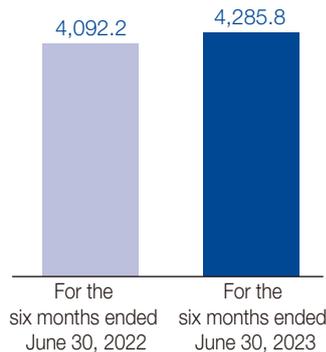
# Financial Summary

## OVERVIEW OF KEY FINANCIAL DATA

For the six months ended June 30, 2023

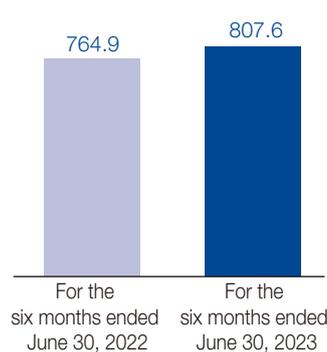
### Total revenue

RMB in millions  
4,285.8



### Profit for the period

RMB in millions  
807.6



### Basic earnings per share

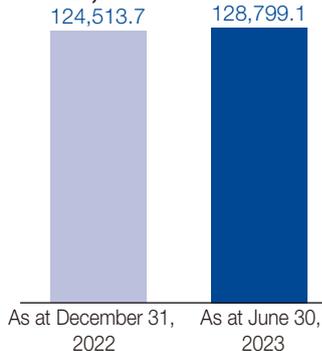
RMB yuan/share

0.09

As at June 30, 2023

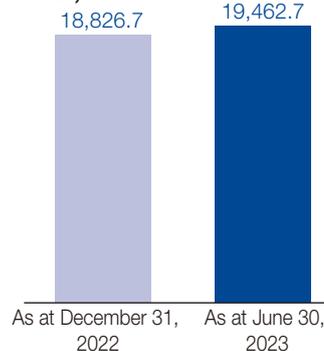
### Total assets

RMB in millions  
128,799.1



### Total equity

RMB in millions  
19,462.7



### Net assets per share

RMB yuan/share

2.00

### Net interest margin

For the six months ended June 30  
2022 2023  
3.47% 3.51%

### Average yield of interest-earning assets

For the six months ended June 30  
2022 2023  
6.88% 6.71%

### Net interest spread

For the six months ended June 30  
2022 2023  
3.06% 3.06%

### Weighted average return on net assets

For the six months ended June 30  
2022 2023  
9.05% 8.85%

### Asset-liability ratio

As at December 31, 2022 As at June 30, 2023  
84.88% 84.89%

### NPA ratio

As at December 31, 2022 As at June 30, 2023  
1.09% 1.09%

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	For the six months ended June 30,		Changes
	2023	2022	
	(RMB in millions, except percentages)		
Total revenue	4,285.8	4,092.2	4.7%
Total revenue and other income, gains or losses	4,527.6	4,228.8	7.1%
Interest expenses	(1,850.4)	(1,769.6)	4.6%
Total expenses	(3,415.5)	(3,208.9)	6.4%
Profit before income tax	1,112.1	1,019.9	9.0%
Income tax expenses	(304.5)	(255.0)	19.4%
Profit for the period	807.6	764.9	5.6%
Earnings per share attributable to ordinary shareholders of the Company (RMB yuan/share)			
— Basic	0.09	0.09	
— Diluted	N/A	N/A	
<b>Profitability indicators</b>			
Return on average assets <sup>(1)</sup>	1.28%	1.32%	
Weighted average return on net assets <sup>(2)</sup>	8.85%	9.05%	
Cost-to-income ratio <sup>(3)</sup>	15.47%	14.71%	
Profit margin before tax and provision <sup>(4)</sup>	43.02%	41.86%	
Net profit margin <sup>(5)</sup>	18.84%	18.69%	
<b>Profitability indicators of assets</b>			
Average yield of interest-earning assets <sup>(6)</sup>	6.71%	6.88%	
Of which: finance lease business <sup>(7)</sup>	6.73%	6.89%	
Average cost of interest-bearing liabilities <sup>(8)</sup>	3.65%	3.82%	
Net interest spread <sup>(9)</sup>	3.06%	3.06%	
Net interest margin <sup>(10)</sup>	3.51%	3.47%	

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	As at June 30, 2023	As at December 31, 2022	Changes
	(RMB in millions, except percentages)		
<b>Non-current assets</b>	<b>67,694.4</b>	66,888.9	1.2%
Receivables from finance lease business <sup>(Note)</sup>	<b>55,636.5</b>	54,950.4	1.2%
Property and equipment	<b>7,339.8</b>	7,307.2	0.4%
<b>Current assets</b>	<b>61,104.7</b>	57,624.8	6.0%
Receivables from finance lease business <sup>(Note)</sup>	<b>49,530.8</b>	49,058.0	1.0%
<b>Total assets</b>	<b>128,799.1</b>	124,513.7	3.4%
<b>Current liabilities</b>	<b>58,335.7</b>	57,560.7	1.3%
Borrowings	<b>24,943.6</b>	25,672.5	(2.8%)
Bonds payable	<b>25,930.5</b>	23,883.1	8.6%
<b>Total equity</b>	<b>19,462.7</b>	18,826.7	3.4%
Equity attributable to owners of the Company			
— Ordinary shareholders	<b>16,489.6</b>	16,139.5	2.2%
— Other equity instrument holders	<b>2,926.0</b>	2,642.9	10.7%
Non-controlling interests	<b>47.1</b>	44.3	6.3%
<b>Non-current liabilities</b>	<b>51,000.7</b>	48,126.3	6.0%
Borrowings	<b>23,608.5</b>	23,146.8	2.0%
Bonds payable	<b>21,494.6</b>	18,670.2	15.1%
<b>Net assets per share (RMB Yuan/share)</b>	<b>2.00</b>	1.96	
<b>Solvency indicators</b>			
Asset-liability ratio <sup>(11)</sup>	<b>84.89%</b>	84.88%	
Gearing ratio <sup>(12)</sup>	<b>493.14%</b>	485.34%	
<b>Asset quality indicators</b>			
NPA ratio <sup>(13)</sup>	<b>1.09%</b>	1.09%	
Allowance coverage ratio for NPAs <sup>(14)</sup>	<b>253.37%</b>	252.02%	

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

# Financial Summary

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

# Chairman's Statement



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

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In the first half of 2023, as geopolitical tensions persisted and major economies continued their interest rate hikes, mounting uncertainties in the international financial markets put greater downward pressure on the global economy. During the first half of 2023, following the end of the pandemic, China's economy recovered gradually. With the combined impacts of the release of pent-up demand from previous periods, policy support and low base effect, the pressures of shrinking demand, supply disruptions and weakening expectations were alleviated. As a result, China's macroeconomy continued to recover with positive signs of rebound in general.

In the inaugural year of fully implementing the spirit of the "20th CPC National Congress", the Group has remained committed to guiding the all-around development of the Company through party building. We strived to pursue the collaboration concept of "One Haitong" (一個海通). We also insisted on our "practical, pioneering, robust and excellent" operation concepts as we captured the overall market trend and seized opportunities in close line with the industrial policies of China to drive the steady improvement in the operational performance of the Company. For the six months ended June 30, 2023, the total revenue of the Group amounted to RMB4,285.8 million, representing an increase

## Chairman's Statement

of 4.7% compared with the same period last year. The profit for the period of the Group amounted to RMB807.6 million, representing an increase of 5.6% compared with the same period last year. As of June 30, 2023, the total assets and total equity of the Group amounted to RMB128,799.1 million and RMB19,462.7 million, representing increases of 3.4% and 3.4%, respectively, as compared with the end of last year. Our NPA ratio and allowance coverage ratio for NPAs were 1.09% and 253.37%, respectively, reflecting the fact that our overall risk exposure was controllable.

In the first half of 2023, we pursued our mission of providing leasing services for the real economy. We grasped opportunities arising from the transformation and upgrade of traditional industries and the accelerated construction of a modern industrial system. Continuous efforts were made to enrich our industry knowledge and explore commercial value in order to establish an industrial and financial ecosystem which will enable us to contribute our financial strengths to boost the recovery and development of the real economy. In the first half of 2023, the Group invested RMB30,670 million in its business. As encouraged under the “14th Five-Year Plan” of China, we strived to promote business expansion in strategic emerging sectors such as high-end equipment manufacturing, green leasing and digital economy. As part of our efforts to drive business transformation, we consistently optimized our asset allocation. In active response to the government policy that encourages financial institutions to provide greater support for MSEs, technological innovations, green development and other aspects, we focused on supporting the development of niche “small giant” enterprises and expediting the ecological layout of shared travel, green energy and other areas. We also extensively empowered our business development and management efficiency with fin-tech. Through the application of technology, we reshaped, catalyzed and innovated business scenarios and commercial models, embedding fin-tech into various operational and management processes of the Company. This enhancement has led to higher operational

efficiency in general and promoted the continuous upgrade of the Company's digitalization and level of intelligence.

In the first half of 2023, leveraging our inherent investment banking DNA and incisive market intuition, we had thorough understanding of the changes and opportunities in the financial leasing market. We capitalized on these advantages to better serve the real economy, enhancing our understanding of the value of the industrial ecosystem. Focusing on the integrated and symbiotic relationship between finance and industry, we positioned ourselves with greater prominence and a broader perspective to serve the development of various industries. We successfully held a seminar in respect of green development of “emission peak and carbon neutrality”, actively exploring and promoting the development of strategic emerging industries such as the green leasing and the digital economy through financial leasing. Our efforts fostered a collaborative development of the industrial ecosystem among all stakeholders under a shared, symbiotic, cooperative and win-win approach. We co-organized a conference, “Lease-Investment Linkage — Financial Empowerment”, to promote the quality development of the Yangtze River Delta G60 Science and Technology Corridor, which facilitated the effective integration of comprehensive financial resources with business entities. We held a forum on “financial leasing services for green industry development”, providing precise services for the development of the real economy through the integration of industry and finance. As such, we were able to empower and collaborate with enterprises in a mutually beneficial manner. In the first half of 2023, we also strived to lead the prosperous development of the financial leasing industry, gaining extensive recognition and support from the market and the industry. In addition, we were honored as one of the “Top 100 Key Enterprises in Huangpu District, Shanghai for 2022” in recognition of our strong business performance and effective management. We participated in the first leasing industry investment and financing summit forum (2023) and Golden Spring Award

## Chairman's Statement

ceremony, and received awards in four categories, namely “Annual Best Exchange Financing Innovation Award”, “Annual Best Dealer Association Financing Innovation Award”, “Annual Best ESG Financing Award” and “Annual Best Financing Team Award”. Moreover, we attended the 2023 Forbes China Financial Leasing Summit and were honored with the “2022 Forbes China Top 50 Financial Leasing Institutions” and the “2022 Forbes China Best ESG Practice Case in Financial Leasing”.

In the first half of 2023, in order to continuously strengthen and solidify the achievements of our compliance and internal control culture construction activities, we launched the program of “Year of Consolidating the Culture of Internal Control on Compliance”. This program aimed to enhance the compliance awareness of all employees and further improve the Company's compliance and internal control management levels. Committed to our prudent risk management philosophy, we further improved our comprehensive risk management system, optimized ESG risk management measures, and focused on maintaining the long-term balance between steady growth and risk prevention for the Group. In the second half of 2023, we will continue to adhere to our development strategy and insist on our mission of providing leasing services for the

real economy. In line with national strategies and policies, we will continue to optimize asset allocation, and further develop the industrial and financial ecosystem. Leveraging on fin-tech, we will boost our business model innovation and efficiency upgrades while continually enhancing our risk prevention capabilities. Through these efforts, the Company's high-quality and sustainable development will be promoted.

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. Where there is a vision, there are no boundaries; where there is a goal, there are no obstacles. In the future, we will seize every favorable opportunity as we ride the tide and steer our course with perseverance for our subsequent business development. With unwavering determination, we will accelerate the establishment of a new ecosystem integrating industry and finance, and embark on a new journey of development.

**DING Xueqing**

*Chairman and Executive Director*

August 30, 2023

# Management Discussion and Analysis

## 1. OPERATION OVERVIEW

### Macroeconomy

In the first half of 2023, against the backdrop of continual fluctuations in the Russia-Ukraine conflict and increasing geopolitical uncertainties, the global economic situation was complex and volatile, with economic recovery remaining highly fragile. Developed economies led by the U.S. and Europe maintained their tightening monetary policies, and the market chain reactions resulting from ongoing interest rate hikes became increasingly evident. Coupled with several banking crises in the U.S. and Europe as well as the high level of U.S. government debt which contributed to the spread of localized risks, the stability of global financial markets was hampered.

In the first half of 2023, under the strong leadership of the Party Central Committee and the State Council, China's economy demonstrated a notable recovery trend with exceptional economic performance in general, ensuring stable and orderly social development. During the first half of the year, China's GDP reached RMB59,303.4 billion, representing a year-on-year growth of 5.5%. The output growth of the primary, secondary and tertiary industries recorded year-on-year increases of 3.7%, 4.3%, and 6.4% respectively, indicating a positive rebound in the national economy and steady progress in high-quality development. In the first half of 2023, fixed-asset investment (excluding rural households) in China amounted to RMB24,311.3 billion, representing a year-on-year increase of 3.8%. The total retail sales of consumer goods amounted to RMB22,758.8 billion, representing a year-on-year increase of 8.2%. The output growth of major manufacturing sectors in China recorded a year-on-year increase of 3.8%, showcasing a stable growth in industrial production, with the equipment manufacturing industry witnessing an accelerated growth. Investment in the high-tech industry also grew rapidly, with a year-on-year increase of 12.5%, among which high-tech manufacturing industry and high-tech service industry recorded increases of 11.8% and 13.9%, respectively. The output of solar cells, new energy vehicles and industrial control computers and systems increased by 54.5%, 35.0%, and 34.1%, respectively, reflecting a favorable development trend in emerging industries. Overall, due to well-coordinated and supportive policies, China's economy has maintained a stable and positive trend of high-quality development.

In the first half of 2023, as China continued to strengthen its financial policies, a series of measures were introduced to promote substantial and effective improvement of the real economy and achieve reasonable growth in quantity. These efforts have supported the economic recovery and fostered a positive start to the year. Upon the second quarter, economic indicators showed signs of decline. In response, the central bank made timely adjustments to the monetary policy. It reduced the reserve requirement ratio for financial institutions by 0.25 percentage points to maintain a reasonable level of market liquidity. In addition, the 1-year and 5-year loan prime rates (LPRs) were lowered by 10 basis points to reduce financing costs for the real economy and boost confidence among residents and enterprises. These initiatives have served as guidance for financial institutions to strengthen their support for the real economy and met the demands for liquidity and financing in the market. During the first half of the year, the central bank fully leveraged the dual functions of structural monetary policy tools in terms of quantitative and structural adjustments. The bank increased its support for agricultural enterprises and MSEs through targeted re-lending and re-discounting, leading to a historic high in the balance of such re-loans and rediscounts in China. Moreover, the central bank continued to enhance its support for inclusive finance, green development, technological

## Management Discussion and Analysis

innovation, infrastructure construction and other key areas and underdeveloped sectors in China's economy, facilitating the implementation of comprehensive measures to coordinate regional development. As of the end of June 2023, the balance of broad money (M2) amounted to RMB287.3 trillion, representing a year-on-year increase of 11.3%. During the first half of the year, new loans amounted to RMB15.73 trillion, representing a year-on-year increase of RMB2.02 trillion. The balance of RMB loans was RMB230.58 trillion, representing a year-on-year increase of 11.3%. In the first half of the year, the increase of social financing scale amounted to RMB21.55 trillion, representing a year-on-year increase of RMB475.4 billion. The stock of social financing amounted to RMB365.45 trillion, representing a year-on-year increase of 9%. These measures have contributed to a positive outlook, expanded domestic demand and stimulated consumption, creating a stable financial environment.

### Regulatory Environment

In the first half of 2023, the Party Central Committee and the State Council issued the "Plan for Reform of Party and State Institutions" (《黨和國家機構改革方案》), pursuant to which the National Administration of Financial Regulation (NAFR) (國家金融監督管理總局) was established to standardize the regulation of the financial industry, excluding the securities sector. This move is likely to bring about three major impacts on the financial leasing industry: stronger regulatory oversight, more consistent regulatory approaches for homogeneous businesses and stricter requirements for business regulation concerning financial consumers. At the local level, several regional regulatory authorities have formulated or updated regulations and guidelines for the financial leasing industry, aiming to enhance risk prevention measures for financial leasing companies and regulate the development of the local financial leasing industry. With a clearer regulatory framework and improved mechanisms, the regulatory environment for the financial leasing industry is expected to continue to improve.

### 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, transformation and optimization, and accelerated elimination. Affected by various factors such as stricter regulatory environment, serious business homogeneity and intensified market competition, the number of financial leasing companies and the balance of leasing contracts in China have continued to reduce. In terms of the number of enterprises, as at the end of June 2023, 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 9,540, representing a decrease of 300 financial leasing companies from 9,840 financial leasing companies as at the end of 2022. In terms of total business volume, the balance of finance lease contracts in China amounted to approximately RMB5,766.0 billion, representing a decrease of approximately RMB84.0 billion, or 1.44%, from RMB5,850.0 billion as at the end of 2022. The decrease reflected that the business continued to shrink in general, but the rate of decline has narrowed compared with that of the previous year.

## Management Discussion and Analysis

On the other hand, with the continuous upgrading of China's industrial structure and the steadfast implementation of the dual circulation development strategy, China's financial leasing industry will usher in more growth opportunities and broader capacity 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 transformation and upgrade of the manufacturing industry of China. In terms of local policies, several governments, including those of Tianjin, Guangzhou and Xiamen, have successively introduced measures to include financial leasing business in the implementation plans for high-quality development of the financial market. These measures have encouraged collaboration between financial leasing enterprises and local businesses, promoting the healthy and orderly development of the real economy. As such, favorable conditions and conducive external environment have been created for the robust development of the financial leasing industry.

## 2. DEVELOPMENT REVIEW

In the first half of 2023, we seized the opportunity of domestic social and economic recovery, insisted on high-quality development as the top priority, strictly followed the national strategies and policies, firmly focused on our main leasing business, adjusted and optimized our asset structure, promoted the industrialization development, and continuously consolidated our asset quality to ensure a steady growth of scale and income.

### **Continue to optimize the asset structure and vigorously promote the industrialization**

Focusing on its development strategies of "One Body, Two Wings" and "One Big and One Small", the Group has precisely recognized the development direction encouraged by national industrial policies by actively adjusting its business structure, vigorously developing businesses in strategic emerging fields such as high-end equipment manufacturing, green leasing and digital economy, and continuously optimizing its asset allocation. In the first half of 2023, we continued to increase our support for the "advanced manufacturing". In the first half of the year, we invested more than RMB9.8 billion in the related high-end equipment manufacturing business, accounting for over 31% of our investments. We continued to explore financial leasing to support green development of "emission peak and carbon neutrality" and help the transformation and upgrading of the green and environmental protection industry. Our investment in green leasing business exceeded RMB7.2 billion in the first half of the year, accounting for over 23% of our investments, and the asset scale of green leasing amounted to RMB22 billion as at the end of June 2023. We have vigorously promoted the business layout in the digital economy, and our investments in the digital economy business were more than RMB1.7 billion in the first half of the year. We have committed to providing leasing services as its main business, serving the real economy in depth, improving the quality and efficiency of our fintech-enabled inclusive financial services, and helping medium-, small- and micro-sized enterprises develop steadily. In line with the concept of green travel, we continued to build a green travel industry ecosystem and established strategic cooperation relationships with various automobile manufacturers such as DFAC, BAIC, FAW, Geely, BYD, and successively introduced customized models of co-branded vehicles, so as to boost the development of green travel business.

## Management Discussion and Analysis

During the 31st FISU World University Games in Chengdu, we invested in more than 100 co-branded vehicles for online car-hailing business to meet users' needs for commuting and watching the games. We also set up the "State Grid Engineering Support Fleet" for the State Grid Corporation of China in support of the power conservation project for the FISU Games and contributed to the successful organization of the FISU Games. In the first half of 2023, we successfully held a seminar in respect of green development of "emission peak and carbon neutrality", deepening transformation, mutual empowerment and collaboration with core customers, suppliers, business partners and end users. We assisted Shanghai Financial Leasing Association and other organizations to organize a conference, "Lease-Investment Linkage — Financial Empowerment", to promote the quality development of the Yangtze River Delta G60 Science and Technology Corridor, and held a forum on "financial leasing services for green industry development" which helped the green development of "emission peak and carbon neutrality" with financial leasing services. We also participated in the first leasing industry investment and financing summit forum (2023) and Golden Spring Award ceremony, Forbes China Financial Leasing Summit Forum in 2023, and won various honors and received wide acclaim from the market and the industry.

### **Expanded diversified financing channels and reduced financing costs steadily**

The Group continuously broadened its diversified and stable financing channels, actively explored innovative financing tools, and supported its business development with quality funds. In addition to maintaining its liquidity risk at a reasonable and controllable level, the Group continued to optimize its debt structure and improved the efficiency of capital utilization, achieving a virtuous circle of assets and liabilities. As at June 30, 2023, the Group established credit relationships with 72 financial institutions and obtained accumulative credit lines of approximately RMB116.3 billion, of which the unused credit balance was approximately RMB60.7 billion. In the first half of 2023, we successfully issued the first "green assets + low-carbon transformation linked" ABS in China, contributing to the goal of "emission peak and carbon neutrality" and sustainable development with practical actions. We issued the first "digital economy" technological innovation small public offering corporate bonds in the financial leasing industry, which specifically supported projects in the digital economy sector. We also issued the first "Yangtze River Economic Belt" themed ABS in the financial leasing industry, which helped the transformation and upgrading of industries along the Yangtze River Economic Belt by providing financial leasing services. In addition, we won four awards, namely "Annual Best Exchange Financing Innovation Award", "Annual Best Dealer Association Financing Innovation Award", "Annual Best ESG Financing Award" and "Annual Best Financing Team Award", in the 2022 Innovative Financing Awards in Shanghai Financial Leasing Industry — Golden Spring Award.

As at June 30, 2023, financing of the Group included indirect financing from banks and direct financing from the capital market. The balance of indirect financing accounted for 51% of the total financing amount, which mainly included financing through channels such as syndicated loans, bank bilateral loans and bank acceptance bills, while the proportion of direct financing was 49%, which mainly included financing instruments such as corporate bonds, medium-term notes, short-term commercial papers, ultra short-term commercial papers, asset-backed securities and asset-backed notes. The proportion and structure of the Group's indirect financing and direct financing remained reasonable and the financing costs have been effectively reduced. In the first half of 2023, average cost of interest-bearing liabilities of the Group was 3.65%, representing a decrease of 0.17 percentage points as compared with the corresponding period last year.

## Management Discussion and Analysis

### **Optimized comprehensive risk management mechanism and enhanced risk control on all business processes**

The Group continued to enhance 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. We emphasized 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 the first half of 2023, we iteratively upgraded the systems of risk reporting and risk concentration statements. On the basis of standardization, online accessibility and visualization of data, we further improved the processing and transmission efficiency of quantitative risk management data. By revising the ESG risk management system and optimizing ESG management tools, we can better identify and assess ESG risks of our customers, and improve our ESG risk management 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 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 implemented multidimensional online and intelligence analysis. 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 by actively managing asset allocation, rapidly responding to mitigating risk events, actively exploring innovative asset disposal methods, and continuously increasing asset disposal efforts. 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 June 30, 2023, the NPA ratio and allowance coverage ratio for NPAs were 1.09% and 253.37%, respectively.

### **Strengthened compliance management of all employees and consolidated 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. In the first half of 2023, the Group fully launched the program of “Year of Consolidating the Culture of Internal Control on Compliance” and further improved its compliance and internal control management to reinforce its compliance and internal control culture and enabled its high-quality development.

### **Focused on local business development of branches and fully utilized fin-tech to enhance service quality and efficiency**

The Group continued to extensively promote the reform of branches, optimized its appraisal standards for different categories and levels, effectively leveraged its advantages of local resources, deepened research on the local businesses and continuously promoted the development of local businesses of its branches. 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 accurately introduce potential customers by industry and region. Remote identity verification, due diligence interview and asset inspections were completed through the video due diligence mini-program. A risk control system, combined with big data technology to establish a MSE customer assessment model, realized automatic approval functions and improved the approval efficiency of small-value standardized products. The increased utilization of electronic signing platform supported online signing in various scenarios before and after leasing, and increased the application range of electronic signing. The IoT technology enabled asset monitoring and alerting, and improved the management of leased properties and risk control capabilities. The asset management system was optimized and upgraded to realize a closed-loop management of the asset management of the Company. The Group also extensively empowered all of its business procedures with digital technology, including business introduction, project due diligence, credit approval, contract signing, fund usage, post-lease operation and asset management. These initiatives ensured highly-efficient business operation of the Company.

# Management Discussion and Analysis

## 3. OPERATION OUTLOOK

In the second half of 2023, the global economic growth faces increasing pressure to slow down, while there is the possibility of a turning point in the upward interest rate cycle in the United States and Europe. The recovery of the global service and manufacturing sectors will continuously show divergence, while the ongoing tightening of global liquidity is expected to have significant impact on investment, financing, household consumption, and overall economic growth. Looking ahead, China will adhere to the principle of seeking progress while maintaining stability. The construction of a new development pattern will be accelerated as China will comprehensively deepen its reform and opening-up and actively expand its domestic demand to integrate the implementation of the domestic demand expansion strategy with the deepening of supply-side structural reform. China will further boost its consumption engine, which plays a fundamental role in driving economic growth through consumption. The government will also strengthen its macroeconomic regulation. Efforts will also be made to optimize the development environment for private enterprises so as to encourage private investment. The establishment of a modern industrial system will be expedited to promote the deep integration of the digital economy with advanced manufacturing industry and modern service industry. China will continue to implement proactive fiscal policies and prudent monetary policies with the persistent use of both quantitative and structural monetary policy tools. Substantial support will also be given to technological innovation, the real economy, and the development of micro-, small- and medium-sized enterprises. Initiatives will be introduced to optimize the mechanisms that support high-quality technology-based enterprises to further stimulate the vitality of the capital market and boost investors' confidence. In general, as the Chinese national economy continues to recover with favorable support and conditions to sustain the economic development, China's economy will maintain a stable and positive development momentum in the second half of the year based on the consistent recovery seen in the first half of the year.

In the second half of 2023, the Group will fully implement its development strategies in strict adherence to the national industrial policy guidelines and capitalize on the opportunities presented by the upgrade of traditional industries, the development of the digital economy and the shift towards green development. With focus on its primary leasing business, the Group will continuously optimize the asset layout, strengthen and expand the application of fin-tech, and enhance the asset quality in order to drive the industrial development while improving the quality and efficiency of the Company. 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 and Optimizing 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 form a service model centered on leased assets and establish the ecosystem of leased asset circulation services to facilitate the circulation of quality leased assets and provide diverse and integrated financial services for LMEs, MSEs and retail customers. As such, we will be able to maintain a balanced growth in terms of scale and profit and effectively diversify credit risk.

## Management Discussion and Analysis

In respect of large-sized enterprise customers and major projects, we will grasp the opportunity arising from the industrial upgrade, “14th Five-Year Plan” and shifts towards green development, 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 leasehold 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 accelerate the development of the ecosystem integrating the industry and financing, fully capitalize on the advantages of integrated industry and promote various strategic cooperation with our partners in the industrial ecosystem. In response to the national objectives of “emission peak and carbon neutrality”, we will increase business investment in green and low-carbon area, and provide support to 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 medium-, small- and micro-sized enterprises and real economy, we will identify high-quality medium-, small- and micro-sized enterprises which have strong competitiveness and establish an ecosystem with financial services covering the medium-, small- and micro-sized enterprises and the upstream and downstream businesses for the 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 enhance the service quality of inclusive finance.

### **Enhancing Marketing Network by “One Body, Two Wings” Business Development Model to Facilitate Diverse Collaboration**

In order to provide services with local characteristics to support the local economies and entities, we will further improve our marketing network by “One Body, Two Wings” business development model, strengthen the collaboration among our business headquarters, branches and subsidiaries, develop special industries of the region and accelerate the regional business expansion so as to support the sound development of regional economy. We will continue to strengthen the cross-industry and cross-region collaboration, and further consolidate our products, channels and customer resources with reasonable allocation of resources by capitalizing on the synergy of the “Two Wings” model, so as to support the long-term business growth and breakthroughs of the Group.

Our business headquarters will further explore the values of the ecosystem with focus on the development and incubation of assets. We will continue to study the trends and logics of industrial financing and expand the business development of strategic emerging sectors such as high-end equipment manufacturing, green leasing and digital economy. We will also increase business investments in green leasing such as photovoltaic energy storage, sewage treatment, solid 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.

## Management Discussion and Analysis

We will steadily promote the establishment of new branches and further refine the regional marketing network, and place high importance on building a localized talent system. We will further optimize the division of management in branches 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 strengthen our core strengths in regional markets to support the regional economic development. We will also enhance the strategic collaboration between our business headquarters and local teams by improving the system and efficiency of joint offices to support the business integration of the Company.

Our subsidiaries will actively abide by the national policy of inclusive finance and continue to consolidate the advantages in local resources with focus on our primary leasing business to support the recovery and development of the real economy. MSE Subsidiary will adhere to the vision of “focusing on industrial ecosystem and supporting MSEs” and continue to upgrade its financial products and develop a nationwide inclusive business network. We will actively explore differentiated competition models and 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 approach that combines “standard products and special products”, we will strengthen the in-depth cooperation with equipment manufacturers. The IoT system for devices and bracelets will also be optimized, which will enable online, standardized and process-oriented full-cycle MSE businesses, and comprehensively improve the quality and efficiency of inclusive financial services. UniFortune Subsidiary will put efforts in product innovation and optimization of business models to better serve the needs of customers in the transportation and logistics industries and further develop the ecosystem business layout covering all industry chains of transportation and logistics. We will also continue to facilitate the strategic cooperation with shared travel service aggregation platforms and explore business cooperation opportunities with major suppliers, large-scale automobile manufacturers, logistics companies and other enterprises in the modern logistics industry. We will provide financial services with high values for the urban distribution sector through the integrated financial leasing solutions featuring “warehousing + distribution capacity”. Our focus will be on green energy services covering photovoltaic as well as energy storage, charging piles and battery swap. We will further strengthen the ecosystem of energy integration.

### **Promoting Industrial Development Closely Based on the Concept of “One Haitong” (一個海通)**

Pursuing the concept of “One Haitong” (一個海通), we will promote the 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 internal motivating power and capitalize on the synchronized development to enhance core competitive strengths of the Group for high-quality development in a customer-oriented approach. In addition, the Group will actively carry out joint marketing campaigns 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.

## Management Discussion and Analysis

Based on the perspective of investment banking, we continue our in-depth research on the industrial policies and development trend during the “14th Five-Year Plan” period, and 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 focus on developing businesses related to green and low-carbon leasing, technological innovation and digital transformation. By leveraging the extensive customer coverage and the resource integration capability of the investment banking system of Haitong Securities, we will enhance the establishment of an industrial ecosystem with financial services which strengthens the connection with stakeholders, suppliers and core enterprises. Moreover, to capture the opportunities arising from the economic development pattern under dual 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 professional and specialized leasing services to inject new impetus to business growth. With focus on supporting the real economy, we will continue to conduct in-depth studies on the industries to explore market needs and achieve dual empowerment and mutual growth with our customers. We will put efforts in the expansion of our business coverage in strategic emerging industries including high-end equipment manufacturing, green leasing and digital economy, in particular to the development of niche enterprises. We will also develop green and low-carbon leasing businesses such as photovoltaic energy storage, sewage treatment, solid waste treatment and sanitation integration. We will push forward the development of “Eastern Data and Western Computing” industry chain and provide comprehensive financial services to customers engaging in data centers, cloud computing, artificial intelligence and other segments.

### **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 management to optimize and refine the risk management model. We will establish effective risk management system and procedures to enhance the tracking and analysis of assets allocation and strengthen our active risk management capability for all staff in all aspects and procedures, so to ensure the sustainable business development of the Company. We will standardize asset inspection and review process, and apply technologies in asset management to improve the IoT monitoring system and strengthen our risk prevention and mitigation capabilities. We will also strictly maintain our bottom line for risk control to ensure the safety of assets while enhancing the comprehensive risk management.

We continue to earnestly shoulder all 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 comprehensive risk management and control of the Company. We will pay close attention to the changes in regulatory environment, strictly implementing industry regulatory policies, taking greater initiative in risk management and compliance management according to the spirit of the program of “Year of Consolidating the Culture of Internal Control on

## Management Discussion and Analysis

Compliance”, and adopting effective management measures including risk monitoring, prevention and responses to improve our risk management and compliance management. In order to strengthen the internal control and compliance management level of the Group, we will continue to optimize the subsidiary management system so as to facilitate efficient coordination among subsidiary management, corporate governance and compliance management.

### **Continuously Optimizing Financing Structure and Adhering to the Bottom Line of Liquidity Risk**

We will further enhance the funding efficiency of the capital market by refining the asset allocation plans and directing more funds to support the intelligent manufacturing, new energy, digital economy, niche enterprises and other sectors. We will promote innovation of financing instruments and models and enrich financing channels to further enhance the capital strengths of the Company. We will continue to optimize our financing structures and match financing capacity with our business in order to support the high-quality development of the real economy. We will further expand and optimize the types and limits of credit lines and reasonably regulate direct and indirect financing ratios to steadily reduce the financing costs.

Based on the comprehensive risk management system, we will adhere to the red 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 enhance the assets and liabilities management and refine its internal systems and processes. Forward-looking management of financing plans will be stepped up to ensure that our funds can meet the safety, liquidity and profitability requirements, thereby improving the efficiency of payment and settlement and facilitating effective business investments. 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. We will respond swiftly to changes in business demands and enhance the construction of our business management platform. Technological tools will be applied to quantitatively analyze the Company’s operational performance, empowering every aspect of its business management. We will continue to advance our precise and automated management approaches, in an effort to promote cost-effectiveness and efficiency in our business operations, while effectively mitigating operational risks and improving our compliance management level. Our funding, financial and data transmission and business report analysis systems will be further enhanced. We will also further improve the operation management efficiency and operation quality of the Group and speed up the progress of digitalization.

## Management Discussion and Analysis

Moreover, we will establish a data management platform that can categorize data into different groups and levels. Differentiated protection policies and control measures will be formulated according to the levels of different data, which will further strengthen our data management and security protocols. To enhance our monitoring level of the IoT, we will make use of a combined approach that integrates visual, electrical, vibration and positioning monitoring. A comprehensive mechanism for handling IoT risk alert will also be developed to standardize the procedures of IoT risk alert and improve the efficiency of risk handling. The Group will continue to upgrade the information, digital and intelligence systems and apply fin-tech to boost the sustainable and healthy growth of our business.

### **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. 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 (恆信之星)” 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 fulfillment of employees.

# Management Discussion and Analysis

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

### Overview of interim condensed consolidated statement of profit or loss

Our total revenue amounted to RMB4,285.8 million in the first half of 2023, representing an increase of 4.7% from RMB4,092.2 million for the same period last year. Our profit for the period increased by 5.6% to RMB807.6 million in the first half of 2023 from RMB764.9 million for the same period last year.

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

	For the six months ended June 30,		Changes
	2023	2022	
	(RMB in millions)		
Total revenue	<b>4,285.8</b>	4,092.2	4.7%
Net investment gains or losses	<b>(40.6)</b>	(9.3)	N/A
Other income, gains or losses	<b>299.2</b>	171.9	74.1%
Losses from derecognition of financial asset measured at amortised cost	<b>(16.8)</b>	(26.0)	N/A
<b>Total revenue and other income, gains or losses</b>	<b>4,527.6</b>	4,228.8	7.1%
Depreciation and amortisation	<b>(191.0)</b>	(175.9)	8.6%
Staff costs	<b>(459.9)</b>	(427.8)	7.5%
Interest expenses	<b>(1,850.4)</b>	(1,769.6)	4.6%
Other operating expenses	<b>(182.6)</b>	(142.5)	28.1%
Impairment losses under expected credit loss model	<b>(723.3)</b>	(668.1)	8.3%
Other impairment losses	<b>(8.3)</b>	(25.0)	(66.8%)
<b>Total expenses</b>	<b>(3,415.5)</b>	(3,208.9)	6.4%
Profit before income tax	<b>1,112.1</b>	1,019.9	9.0%
Income tax expenses	<b>(304.5)</b>	(255.0)	19.4%
<b>Profit for the period</b>	<b>807.6</b>	764.9	5.6%
Earnings per share attributable to ordinary shareholders of the Company (RMB yuan/share)			
— Basic	<b>0.09</b>	0.09	
— Diluted	<b>N/A</b>	N/A	

# Management Discussion and Analysis

## Revenue

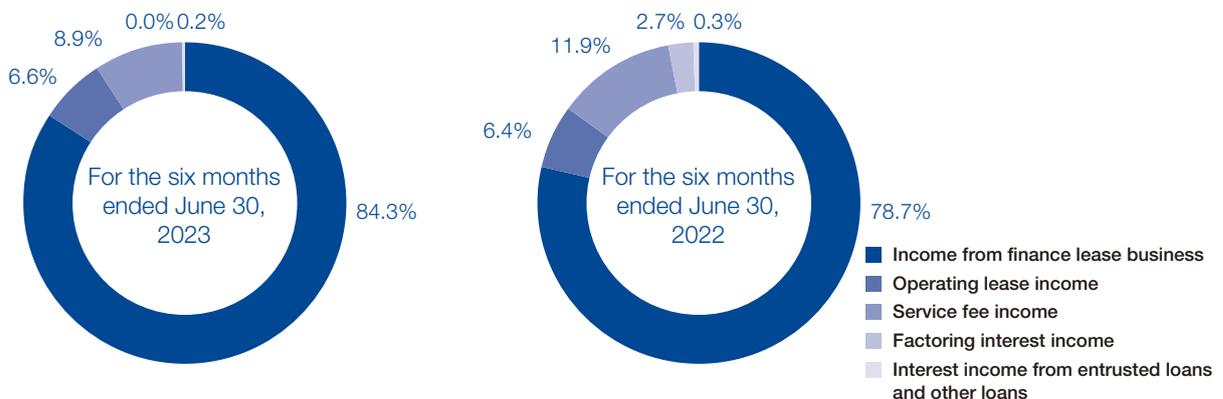
Our total revenue increased by 4.7% to RMB4,285.8 million in the first half of 2023 from RMB4,092.2 million for the same period last year, which was mainly due to the increases in our income from finance lease business and operating lease income as compared with the same period last year.

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

	For the six months ended June 30,		2022	% of total	Changes
	2023	% of total			
	<b>(RMB in millions, except percentages)</b>				
Income from finance lease business <sup>(Note)</sup>	<b>3,613.3</b>	<b>84.3%</b>	3,218.0	78.7%	12.3%
Operating lease income	<b>281.5</b>	<b>6.6%</b>	262.6	6.4%	7.2%
Service fee income	<b>383.3</b>	<b>8.9%</b>	488.5	11.9%	(21.5%)
Factoring interest income	—	—	111.2	2.7%	(100.0%)
Interest income from entrusted loans and other loans	<b>7.7</b>	<b>0.2%</b>	11.9	0.3%	(35.3%)
<b>Total revenue</b>	<b>4,285.8</b>	<b>100.0%</b>	4,092.2	100.0%	4.7%

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

## Percentage of total revenue



## Management Discussion and Analysis

In the first half of 2023, income from finance lease business and the operating lease income increased. Service fee income decreased, which was mainly due to the decrease in customers' demand for consultation services. Interest income from entrusted loans and other loans decreased which was mainly because the Group did not enter into new entrusted loans and other loans related businesses.

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

	For the six months ended June 30,					
	2023			2022		
	Average balance <sup>(1)</sup>	Interest income <sup>(2)</sup>	Average yield <sup>(3)</sup>	Average balance <sup>(1)</sup>	Interest income <sup>(2)</sup>	Average yield <sup>(3)</sup>
	<b>(RMB in millions, except percentages)</b>					
Interest-earning assets	107,864.1	3,621.0	6.71%	97,142.3	3,341.1	6.88%

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

(2) Consists of income from finance lease business, factoring interest income, and interest income from entrusted loans and other loans.

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

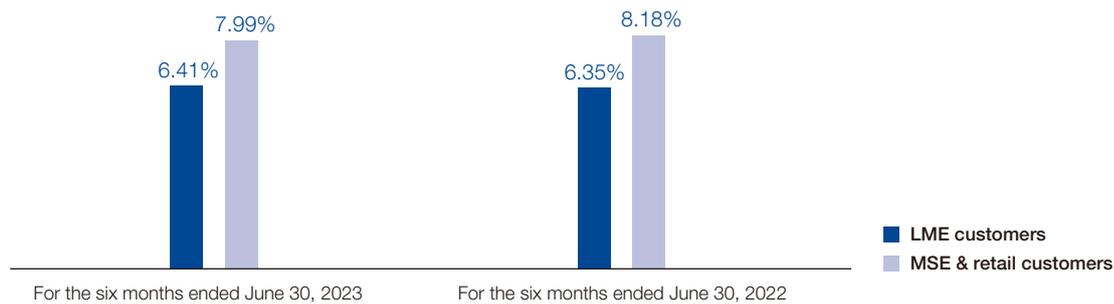
# Management Discussion and Analysis

## Customer analysis

We have a broad customer base. Our customers include LME customers, enterprises with a leading position in the industry, MSE<sup>(Note)</sup> & retail customers.

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

### Average yield



In the first half of 2023, the average yield of the Group was 6.71%, representing a decrease of 0.17 percentage points from 6.88% for the same period last year. The decrease was mainly due to the fact that the national macro monetary policy remained moderately loose to further strengthen the support to the real economy and the average market interest rate dropped. In addition, the Group optimized its industrial layout, supported the development of the real economy in response to national policies and duly adjusted its profit expectation from end-customers.

(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.

# Management Discussion and Analysis

## Income from finance lease business

Income from finance lease business of the Group increased by 12.3% to RMB3,613.3 million in the first half of 2023 as compared with the same period last year. Income from finance lease business accounted for 84.3% of the total revenue of the Group. The Group proactively adapted to the recent economic development, insisted on serving the real economy, deeply developed localized segments, continuously optimized the structure of asset allocation, and strengthened the investment in key industries such as construction, energy and environmental protection.

## Operation lease income

Our operating lease income increased by 7.2% to RMB281.5 million in the first half of 2023 as compared with the same period last year. The net lease yield of the aircraft operating lease business of the Group was 7.05%.

As at June 30, 2023, the Group owned 17 aircraft (including seven Airbus narrow-body aircraft, two Airbus wide-body aircraft and eight Boeing narrow-body aircraft) with a total net carrying amount of approximately US\$744.1 million (equivalent to approximately RMB5,376.4 million). In addition, as at June 30, 2023, the Group undertook to purchase a total of one aircraft with an estimated market value of US\$33.75 million. In the first half of 2023, the Group did not dispose of any aircraft assets. The following table sets forth the details of the aircraft operating lease business:

Model	Number of aircraft		Total
	Self-owned aircraft	Aircraft purchased under commitment	
Airbus A320	5	0	5
Airbus A321	2	0	2
Airbus A350	2	0	2
Boeing B737-800	8	1	9
Total	17	1	18

## Service fee income

We provide various advisory services to customers. The Group's service fee income decreased by 21.5% to RMB383.3 million in the first half of 2023 as compared with the same period last year. Our service fee income was mainly generated from advanced manufacturing, construction, transportation & logistics, energy and environmental protection, urban utilities, healthcare and culture and tourism.

# Management Discussion and Analysis

## Interest income from entrusted loans and other loans

Our interest income from entrusted loans and other loans decreased by 35.3% to RMB7.7 million in the first half of 2023 as compared with the same period 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

In the first half of 2023, other income, gains or losses of the Group increased by 74.1% to RMB299.2 million as compared with the same period last year. The increase was mainly due to the increase in government grants and other items.

## Expenses

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

	For the six months ended June 30,		
	2023	2022	Changes
	(RMB in millions)		
Depreciation and amortisation	191.0	175.9	8.6%
Staff costs	459.9	427.8	7.5%
Interest expenses	1,850.4	1,769.6	4.6%
Other operating expenses	182.6	142.5	28.1%
Impairment losses under expected credit loss model	723.3	668.1	8.3%
Other impairment losses	8.3	25.0	(66.8%)
Total expenses	3,415.5	3,208.9	6.4%

The total expenses of the Group amounted to RMB3,415.5 million in the first half of 2023, representing an increase of 6.4% from RMB3,208.9 million of the same period last year.

## Depreciation and amortisation

The depreciation and amortisation of the Group increased by 8.6% to RMB191.0 million in the first half of 2023 from RMB175.9 million for the same period last year, which was mainly due to the increase in the average balance of cost of property and equipment as compared with the same period last year.

# Management Discussion and Analysis

## **Staff costs**

The staff costs of the Group increased by 7.5% to RMB459.9 million in the first half of 2023 from RMB427.8 million for the same period last year, primarily due to the increases in our business scale and average headcount as compared with the same period last year.

## **Interest expenses**

The interest expenses of the Group increased by 4.6% to RMB1,850.4 million in the first half of 2023 from RMB1,769.6 million for the same period last year, which was mainly due to the increase in financing size as a result of continuous growth in business scale.

## **Other operating expenses**

Other operating expenses of the Group increased by 28.1% to RMB182.6 million in the first half of 2023 from RMB142.5 million for the same period last year. The increase was mainly due to the greater efforts for business transformation, commitment to its mission of providing leasing services for the real economy, the increase in expenses related to travel marketing and engaging intermediary agencies as well as the increase in fin-tech expenses.

## **Impairment losses under expected credit loss model**

Impairment losses under expected credit loss model of the Group increased by 8.3% to RMB723.3 million in the first half of 2023 from RMB668.1 million for the same period last year, which was primarily because considering the current dampened domestic demand and consumer sentiment, and in the face of the complex and challenging external environment and the pressure on economic growth, the Group consistently pursued its proactive risk management philosophy and prudently assessed its forward-looking expectations. In addition, the Group strived to carry out activities centered around its leasing core business and continued to record increase in its business scale. Its average interest-earning assets increased as compared with the same period last year, leading to a corresponding increase in provision amounts. Further efforts were also made to improve its risk warning system and strengthen its risk response capabilities. During the Reporting Period, the risk management level of the Group continued to enhance, with all indicators remaining stable and robust.

## **Profit for the Period**

Profit for the period of the Group increased by 5.6% to RMB807.6 million in the first half of 2023 from RMB764.9 million for the same period last year. The increase was primarily due to the steady increase in total revenue as the Group remained committed to providing leasing services and optimized its assets structure in strict accordance with the national industrial development strategy. It also optimized its debt structure, and effectively controlled the increase in interest expenses. The Group continued to strengthen its comprehensive risk management, ensuring the security of the Group's assets. As such, the overall risks were controllable and all indicators remained stable and robust.

# Management Discussion and Analysis

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

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

	<b>For the six months ended June 30,</b>	
	<b>2023</b>	<b>2022</b>
	<b>(RMB in millions, except percentages)</b>	
Interest income <sup>(1)</sup>	<b>3,621.0</b>	3,341.1
Interest expenses <sup>(2)</sup>	<b>1,729.5</b>	1,654.8
Net interest income	<b>1,891.5</b>	1,686.3
Average balance of interest-earning assets <sup>(3)</sup>	<b>107,864.1</b>	97,142.3
Average balance of interest-bearing liabilities <sup>(4)</sup>	<b>94,690.1</b>	86,620.3
Average yield of interest-earning assets <sup>(5)</sup>	<b>6.71%</b>	6.88%
Of which: Finance lease business <sup>(6)</sup>	<b>6.73%</b>	6.89%
Average cost of interest-bearing liabilities <sup>(7)</sup>	<b>3.65%</b>	3.82%
Net interest spread <sup>(8)</sup>	<b>3.06%</b>	3.06%
Net interest margin <sup>(9)</sup>	<b>3.51%</b>	3.47%

- (1) Interest income is the sum of (i) income from finance lease business, (ii) factoring interest income, and (iii) interest income from entrusted loans and other loans.
- (2) Excluding the interest expenses related to other business such as operating leasing business.
- (3) Interest-earning assets consist of receivables from finance lease business, factoring receivables, entrusted loans and other loans (excluding assets related to other business such as operating lease business). Average balances are calculated based on balances before deduction of allowances for impairment losses as at the end of last year and the end of the period.
- (4) Interest-bearing liabilities consist of borrowings, bonds payable, business deposits and notes payable excluding the interest-bearing liabilities related to other business such as operating leasing business. Average balances are calculated based on balances as at the end of last year and the end of the period. The balances of borrowings and bonds payable used in such calculation represent the outstanding principal amounts of borrowings and bonds payable.
- (5) Calculated by dividing interest income by the average balance of interest-earning assets on an annualized basis.
- (6) Calculated by dividing income from finance lease business by the average balance of receivables from finance lease business on an annualized basis. Average balances of receivables from finance lease business are calculated based on average balances of receivables from finance lease business before deduction of allowances for impairment losses as at the end of last year and the end of the period.
- (7) Calculated by dividing interest expenses by the average balance of interest-bearing liabilities on an annualized basis.
- (8) Calculated as the difference between average yield of interest-earning assets and average cost of interest-bearing liabilities (excluding other business such as operating leasing business).
- (9) Calculated by dividing net interest income (excluding other business such as operating leasing business) by the average balance of interest-earning assets on an annualized basis.

## Management Discussion and Analysis

In the first half of 2023, the Group recorded net interest spread of 3.06%, which remained stable as compared with the same period last year. The Group recorded net interest margin of 3.51%, representing an increase of 0.04 percentage points as compared with the same period last year, which was mainly due to the fact that the Group continued to optimize its asset-liability structure, strengthen asset allocation management, develop new financing channels and introduce innovative financing instruments.

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

#### Overview of Interim Condensed Consolidated Statement of Financial Position

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

	<b>As at June 30,</b>	As at December 31,	
	<b>2023</b>	2022	Changes
	<b>(RMB in millions)</b>		
<b>Non-current assets</b>			
Property and equipment	<b>7,339.8</b>	7,307.2	0.4%
Right-of-use assets	<b>36.3</b>	45.6	(20.4%)
Intangible assets	<b>21.9</b>	17.8	23.0%
Receivables from finance lease business <sup>(Note)</sup>	<b>55,636.5</b>	54,950.4	1.2%
Loans and receivables	<b>2.5</b>	5.1	(51.0%)
Financial assets at fair value through profit or loss	<b>96.9</b>	107.4	(9.8%)
Deferred tax assets	<b>1,680.5</b>	1,676.9	0.2%
Other assets	<b>2,880.0</b>	2,778.5	3.7%
<b>Total non-current assets</b>	<b>67,694.4</b>	66,888.9	1.2%

## Management Discussion and Analysis

	As at June 30, 2023	As at December 31, 2022	Changes
	(RMB in millions)		
<b>Current assets</b>			
Receivables from finance lease business <sup>(Note)</sup>	49,530.8	49,058.0	1.0%
Loans and receivables	261.9	343.4	(23.7%)
Other assets	1,178.5	1,186.0	(0.6%)
Accounts receivable	200.6	197.0	1.8%
Financial assets at fair value through profit or loss	854.0	606.0	40.9%
Derivative financial assets	177.0	113.4	56.1%
Cash and bank balances	8,901.9	6,121.0	45.4%
<b>Total current assets</b>	<b>61,104.7</b>	57,624.8	6.0%
<b>Total assets</b>	<b>128,799.1</b>	124,513.7	3.4%
<b>Current liabilities</b>			
Borrowings	24,943.6	25,672.5	(2.8%)
Derivative financial liabilities	6.2	76.2	(91.9%)
Accrued staff costs	304.6	363.4	(16.2%)
Accounts payable	162.3	201.7	(19.5%)
Bonds payable	25,930.5	23,883.1	8.6%
Income tax payable	349.5	679.5	(48.6%)
Other liabilities	6,639.0	6,684.3	(0.7%)
<b>Total current liabilities</b>	<b>58,335.7</b>	57,560.7	1.3%
<b>Net current assets</b>	<b>2,769.0</b>	64.1	4,219.8%
<b>Total assets less current liabilities</b>	<b>70,463.4</b>	66,953.0	5.2%
Equity attributable to owners of the Company			
— Ordinary shareholders	16,489.6	16,139.5	2.2%
— Other equity instrument holders	2,926.0	2,642.9	10.7%
Non-controlling interests	47.1	44.3	6.3%
<b>Total equity</b>	<b>19,462.7</b>	18,826.7	3.4%

## Management Discussion and Analysis

	As at June 30, 2023	As at December 31, 2022	Changes
(RMB in millions)			
<b>Non-current liabilities</b>			
Borrowings	23,608.5	23,146.8	2.0%
Bonds payable	21,494.6	18,670.2	15.1%
Deferred tax liabilities	18.1	13.4	35.1%
Other liabilities	5,879.5	6,295.9	(6.6%)
<b>Total non-current liabilities</b>	<b>51,000.7</b>	48,126.3	6.0%
<b>Total equity and non-current liabilities</b>	<b>70,463.4</b>	66,953.0	5.2%
<b>Net assets per Share (RMB yuan/share)</b>	<b>2.00</b>	1.96	

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

### Assets

The Group's total assets increased by 3.4% from RMB124,513.7 million as at the end of last year to RMB128,799.1 million as at June 30, 2023, which was mainly due to the expansion of leasing business scale driven by the focus on providing leasing services.

### Interest-earning Assets

Our interest-earning assets include receivables from finance lease business and loans and other receivables. As at June 30, 2023, the carrying amount of receivables from finance lease business of the Group was RMB105,167.3 million, representing a slight increase from RMB104,008.4 million as at the end of last year.

# Management Discussion and Analysis

## Industry Analysis

The following table sets forth the balance of interest-earning assets by industry as at the dates indicated:

	As at June 30, 2023		As at December 31, 2022	
	Balance	% of total	Balance	% of total
<b>(RMB in millions, except percentages)</b>				
Advanced manufacturing	<b>24,638.4</b>	<b>22.7%</b>	24,612.3	22.9%
Urban utilities	<b>18,678.9</b>	<b>17.2%</b>	19,963.9	18.6%
Energy and environmental protection	<b>17,281.7</b>	<b>15.9%</b>	16,469.8	15.3%
Construction	<b>16,930.1</b>	<b>15.6%</b>	14,624.5	13.6%
Transportation & logistics	<b>13,054.0</b>	<b>12.0%</b>	14,640.0	13.6%
Culture and tourism	<b>7,754.0</b>	<b>7.2%</b>	7,328.6	6.8%
Healthcare	<b>7,446.5</b>	<b>6.9%</b>	7,216.9	6.7%
Other	<b>2,649.4</b>	<b>2.5%</b>	2,439.3	2.5%
<b>Total</b>	<b>108,433.0</b>	<b>100.0%</b>	107,295.3	100.0%

In the first half of 2023, the Group strived to optimize the asset allocation with a focus on key industries such as construction, energy and environmental protection and advanced manufacturing, and further increased support for high-quality corporate 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, the new generation of information technology and telecommunications. In addition, 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.

## Management Discussion and Analysis

As at June 30, 2023, the balance of interest-earning assets attributable to our business in the advanced manufacturing industry amounted to RMB24,638.4 million, which remained stable as compared with RMB24,612.3 million as at the end of last year.

### *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.

As at June 30, 2023, the balance of interest-earning assets attributable to our business in the urban utilities industry amounted to RMB18,678.9 million, representing a decrease of 6.4% as compared with RMB19,963.9 million as at the end of last year. The decrease was mainly because the Group promoted business transformation, adjusted the business direction and targeted customers with higher levels and strong market positions to further optimize the asset structure.

### *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, solid 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".

As at June 30, 2023, the balance of interest-earning assets attributable to our business in the energy and environmental protection industry amounted to RMB17,281.7 million, representing an increase of 4.9% as compared with RMB16,469.8 million as at the end of last year. The increase was mainly due to expansion of the Group in the business of clean energy such as photovoltaic energy, as well as other business of new energy battery manufacturing, sewage disposal and environmental recovery according to the national strategy of "emission peak and carbon neutrality".

### *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, of which have top-grade or first-grade qualifications for engineering and construction.

## Management Discussion and Analysis

As at June 30, 2023, the balance of interest-earning assets attributable to our business in the construction industry amounted to RMB16,930.1 million, representing an increase of 15.8% as compared with RMB14,624.5 million as at the end of last year. The increase was mainly because the Group has accelerated the transformation of its business structure and developed an industrial ecosystem for construction to facilitate the expansion of our business in this industry.

### *Transportation & Logistics*

We strictly followed the national strategies and policies and proactively responded to the national strategic target of “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 shared travel, modern logistics, 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 service network, we have established 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, vehicle dealers, high-quality logistics enterprises and 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.

As at June 30, 2023, the balance of interest-earning assets attributable to our business in the transportation & logistics industry amounted to RMB13,054.0 million, representing a decrease of 10.8% as compared with RMB14,640.0 million as at the end of last year. The decrease was mainly due to the timely adjustments to the product portfolio through reducing the investment in 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.

### *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 multimedia equipment. Following the policies of the government to develop vocational education, we will put further efforts in developing customers in colleges 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.

## Management Discussion and Analysis

As at June 30, 2023, the balance of interest-earning assets attributable to our business in culture and tourism industry amounted to RMB7,754.0 million, representing an increase of 5.8% as compared with RMB7,328.6 million as at the end of last year. The increase was mainly because the Group actively expanded strategic cooperation with different colleges, vocational education institutions and 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.

As at June 30, 2023, the balance of interest-earning assets attributable to our business in the healthcare industry amounted to RMB7,446.5 million, representing an increase of 3.2% as compared with RMB7,216.9 million as at the end of last year. The increase was primarily because the Group optimized the healthcare product structure to meet the diverse demands from customers and increased investment in the industry in response to the national policies and guidelines.

### *Other Industries*

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

As at June 30, 2023, the balance of interest-earning assets attributable to our business in other industries was RMB2,649.4 million, representing an increase of 8.6% as compared with RMB2,439.3 million as at the end of last year. The increase was primarily because the Group formulated development plans for emerging industries and other high-quality businesses in advance and exerted more efforts in business expansion.

## Management Discussion and Analysis

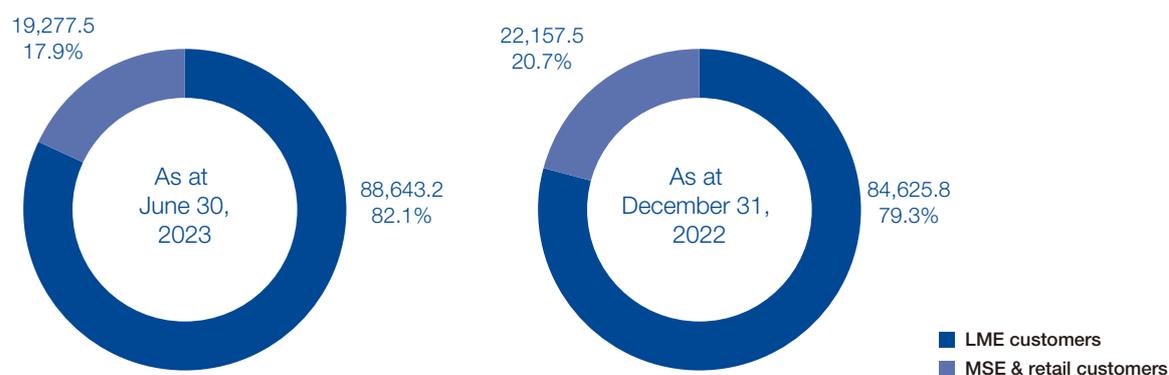
### Receivables from Finance Lease Business

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

	<b>As at June 30, 2023</b>	As at December 31, 2022	Changes
	<b>(RMB in millions)</b>		
<b>Gross amount of receivables from finance lease business</b>	<b>119,314.4</b>	118,015.9	1.1%
Less: Unearned income	<b>(11,393.7)</b>	(11,232.6)	1.4%
<b>Present value of receivables from finance lease business</b>	<b>107,920.7</b>	106,783.3	1.1%
Less: Loss allowance	<b>(2,753.4)</b>	(2,774.9)	(0.8%)
<b>Carrying amount of receivables from finance lease business</b>	<b>105,167.3</b>	104,008.4	1.1%

### Customer Analysis

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



(Unit: RMB in millions, except percentages)

We continuously optimized our asset layout with an emphasis on expanding businesses that are encouraged by the national industry policies, including high-end equipment manufacturing, digital economy and environmental protection. As at June 30, 2023, the present value of finance lease receivables from LME customers of the Group increased as compared with the end of last year.

# Management Discussion and Analysis

## Maturity Profile

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

	As at June 30, 2023		As at December 31, 2022	
	Amount	% of total	Amount	% of total
<b>(RMB in millions, except percentages)</b>				
Within one year	<b>56,162.5</b>	<b>47.1%</b>	55,860.3	47.3%
More than one year but not exceeding five years	<b>60,160.7</b>	<b>50.4%</b>	59,731.7	50.6%
More than five years	<b>2,991.2</b>	<b>2.5%</b>	2,423.9	2.1%
Total	<b>119,314.4</b>	<b>100.0%</b>	118,015.9	100.0%

As at June 30, 2023, receivables from finance lease business due within one year accounted for 47.1% 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 mainly include entrusted loans and other loans. As at June 30, 2023, the carrying amount of our entrusted loans and other loans was RMB264.4 million, representing a decrease of 24.1% from RMB348.5 million as at the end of last year. The decrease was mainly due to the fact that the Group did not enter into new entrusted loans and other loans related businesses.

## 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 June 30, 2023, our equipment held for operating lease business consisted of 17 aircraft. The property and equipment held for administrative purpose of the Group consisted primarily of office buildings, motor vehicles, electronic equipment, office equipment, leasehold improvements and construction in progress.

As at June 30, 2023, the carrying amount of the property and equipment of the Group amounted to RMB7,339.8 million, remaining stable as compared with RMB7,307.2 million as at the end of last year.

## Financial Assets at Fair Value through Profit or Loss

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

As at June 30, 2023, the carrying amount of the financial assets at fair value through profit or loss of the Group was RMB950.9 million, representing an increase of 33.3% as compared with RMB713.4 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 June 30, 2023, the carrying amount of the deferred tax assets of the Group amounted to RMB1,680.5 million, remaining stable as compared with RMB1,676.9 million as at the end of last year.

## Cash and Bank Balances

As at June 30, 2023, the carrying amount of the cash and bank balances of the Group was RMB8,901.9 million, representing an increase of 45.4% as compared with RMB6,121.0 million as at the end of last year. The increase was mainly due to the adjustment made by the Group based on the future operating needs and liquidity.

## Liabilities

In the first half of 2023, the Group focused on serving the real economy by launching innovative financing products, optimizing the debt structure, capitalizing on its advantage of “financing with capital + goods” 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 decreased steadily.

As at June 30, 2023, the total liabilities of the Group amounted to RMB109,336.4 million, representing an increase of 3.5% as compared with RMB105,687.0 million as at the end of last year. The increase was mainly due to the increased financing size for our business development.

## Management Discussion and Analysis

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

	<b>As at June 30,</b> <b>2023</b>	As at December 31, 2022	Changes
	<b>(RMB in millions)</b>		
<b>Current liabilities</b>			
Borrowings	<b>24,943.6</b>	25,672.5	(2.8%)
Derivative financial liabilities	<b>6.2</b>	76.2	(91.9%)
Accrued staff costs	<b>304.6</b>	363.4	(16.2%)
Accounts payable	<b>162.3</b>	201.7	(19.5%)
Bonds payable	<b>25,930.5</b>	23,883.1	8.6%
Income tax payable	<b>349.5</b>	679.5	(48.6%)
Other liabilities	<b>6,639.0</b>	6,684.3	(0.7%)
<b>Total current liabilities</b>	<b>58,335.7</b>	57,560.7	1.3%
<b>Non-current liabilities</b>			
Borrowings	<b>23,608.5</b>	23,146.8	2.0%
Bonds payable	<b>21,494.6</b>	18,670.2	15.1%
Deferred tax liabilities	<b>18.1</b>	13.4	35.1%
Other liabilities	<b>5,879.5</b>	6,295.9	(6.6%)
<b>Total non-current liabilities</b>	<b>51,000.7</b>	48,126.3	6.0%
<b>Total liabilities</b>	<b>109,336.4</b>	105,687.0	3.5%

### Borrowings

Borrowings of the Group are primarily bank borrowings. As at June 30, 2023, the Group's borrowings amounted to RMB48,552.1 million, remaining stable as compared with RMB48,819.3 million as at the end of last year.

## Management Discussion and Analysis

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

	As at June 30, 2023		As at December 31, 2022	
	Amount	% of total	Amount	% of total
<b>(RMB in millions, except percentages)</b>				
Bank borrowings	<b>47,553.7</b>	<b>97.9%</b>	47,665.5	97.6%
Other financial institutions borrowings	<b>755.1</b>	<b>1.6%</b>	926.2	1.9%
Interest payables	<b>209.2</b>	<b>0.4%</b>	183.7	0.4%
Lease liabilities	<b>34.1</b>	<b>0.1%</b>	43.9	0.1%
<b>Total</b>	<b>48,552.1</b>	<b>100.0%</b>	48,819.3	100.0%
Analyzed as:				
Current	<b>24,943.6</b>	<b>51.4%</b>	25,672.5	52.6%
Non-current	<b>23,608.5</b>	<b>48.6%</b>	23,146.8	47.4%
<b>Total</b>	<b>48,552.1</b>	<b>100.0%</b>	48,819.3	100.0%

As at June 30, 2023, the current borrowings accounted for 51.4% of the total borrowings, representing a slight decrease as compared with the end of last year, reflecting the stable financing strategies and reasonable debt structure.

### Bonds Payable

In the first half of 2023, the overall liquidity of the capital market remained reasonable and abundant, while overall market interest rates decreased. Having considered the needs for business development and financing costs, the Group proactively utilized various direct financing instruments. Through issuance of bonds, asset securitization and other products in the direct financing market, the Group enriched its financing products, balanced its product maturity, diversified its financing market, and maintained its stable cost advantage, which effectively secured funds for business growth of the Group.

Bonds payables of the Group mainly 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 June 30, 2023, the Group's bonds payable amounted to RMB47,425.1 million, representing an increase of 11.4% as compared with RMB42,553.3 million as at the end of last year.

## Management Discussion and Analysis

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

	As at June 30, 2023		As at December 31, 2022	
	Amount	% of total	Amount	% of total
<b>(RMB in millions, except percentages)</b>				
Analyzed as:				
Current	<b>25,930.5</b>	<b>54.7%</b>	23,883.1	56.1%
Non-current	<b>21,494.6</b>	<b>45.3%</b>	18,670.2	43.9%
Total	<b>47,425.1</b>	<b>100.0%</b>	42,553.3	100.0%

### Other Liabilities

The other liabilities of the Group consisted primarily of deposits from customers, bank acceptance bills and aircraft maintenance funds.

As at June 30, 2023, the total other liabilities of the Group were RMB12,518.5 million, representing a decrease of 3.6% as compared with RMB12,980.2 million as at the end of last year. The decrease was mainly due to the reduction in deposits from customers.

### Equity

As at June 30, 2023, the Group had a total equity of RMB19,462.7 million, representing an increase of 3.4% from RMB18,826.7 million as at the end of last year, which was mainly due to the increase from the profit for the period and the issuance of other equity instruments, and the decrease from dividend and interest distribution and the redemption of other equity instruments in the first half of 2023.

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

	As at June 30,	As at December 31,	Changes
	2023	2022	
<b>(RMB in millions)</b>			
Equity attributable to owners of the Company			
— Ordinary shareholders	<b>16,489.6</b>	16,139.5	2.2%
— Other equity instrument holders	<b>2,926.0</b>	2,642.9	10.7%
Non-controlling interests	<b>47.1</b>	44.3	6.3%
Total equity	<b>19,462.7</b>	18,826.7	3.4%

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

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

	For the six months ended June 30,		Changes
	2023	2022	
	(RMB in millions)		
Net cash generated from/(used in) operating activities	<b>292.0</b>	1,479.2	(80.3%)
Net cash generated from/(used in) investing activities	<b>(291.3)</b>	484.2	N/A
Net cash generated from/(used in) financing activities	<b>2,791.1</b>	678.9	311.1%
Net increase in cash and cash equivalents	<b>2,791.8</b>	2,642.3	5.7%

For the six months ended June 30, 2023, the net cash inflow from operating activities amounted to RMB292.0 million. Cash flows in operating activities consisted primarily of cash generated from or paid for our finance lease, operating lease, entrusted loans and other loans, and advisory businesses, as well as related transactions. The net cash inflow from operating activities in the current period was mainly due to the recovery of proceeds from previous business, which was higher than the cash outflow in current business investment.

For the six months ended June 30, 2023, the net cash outflow from investing activities was RMB291.3 million, mainly reflecting the cash paid for (i) the purchase of financial assets at fair value through profit or loss, and (ii) the purchase of property and equipment. The aforesaid cash outflow was partially offset by (i) the proceeds from sale of financial assets at fair value through profit or loss, and (ii) cash received from financial investments during the period.

For the six months ended June 30, 2023, the net cash inflow from financing activities was RMB2,791.1 million, primarily reflecting (i) the proceeds from issuances of bonds, (ii) the proceeds from borrowings, (iii) the proceeds from issuance of other equity instruments, and (iv) the proceeds from capital injection of the non-controlling investors. The aforesaid cash inflow was partially offset by the repayments of bonds payable, borrowings, payments for interest, redemption of other equity instruments, payments for distribution of other equity instruments and payments for the related costs during the period.

# Management Discussion and Analysis

## 7. CAPITAL MANAGEMENT

We manage our capital to ensure that the group companies within 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 former 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 not exceed eight times of net assets and the total risk assets shall be determined based on the balance of assets by deducting cash, bank deposits and treasury bonds from the total assets of enterprises. As at June 30, 2023, the Group did not violate any relevant regulatory requirements regarding the total risk assets and net assets ratio.

## 8. CAPITAL EXPENDITURES

In the first half of 2023, capital expenditure of the Group was RMB13.0 million, which was mainly used to purchase equipment held for management purpose and intangible assets in the first half of 2023.

## 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 former 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 continuously 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.

## CREDIT RISK

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

In the first half of 2023, in the face of the complicated and ever-changing international situation, the recovery of domestic economy, the adjustment and deepening of industrial structure as well as the external environment where industry transformation accelerated, the Company focused on providing financial services to support the real economy. Capturing the opportunities arising from the deepening economic transformation in China and leveraging our resources, we empowered our customers for mutual development. Throughout our business expansion, we strictly complied with the credit risk management system and procedures 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:

- Ensuring that the development of the Company aligned with external trends through continuous and in-depth research on the economic environment

Since 2023, the economy of China has gradually recovered, with proactive and coordinated macroeconomic policies playing a key role. Economic and social activities have fully resumed while the production and the demand have gradually rebounded. The overall economic performance has continued to show positive recovery momentum. However, the Company has been faced with challenges such as the weak domestic growth despite economic recovery, insufficient demand and difficulty in transformation and upgrade. The Company has a profound understanding of the financial institutions which are rooted in the real economy, and has always paid close attention to the significant impact of external environment on the Company's operating activities. We have thoroughly interpreted and analyzed the regulatory policies at all levels in a timely manner, while continuing to monitor and assess the macro-economic conditions and developments various industries. The Company has conducted researches on the short-term and long-term impacts of policy planning, 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 resumption of economic growth. These initiatives have ensured that the business operation of the Company was in compliance with the national strategic policies and catering for the market trend and industry transformation.

## Management Discussion and Analysis

- Promoting continuous transformation and optimization on the asset structure of the Company through dynamic adjustments to its asset allocation

Currently, facing the complex and changing international conditions as well as the new opportunities and challenges in the recovery of domestic economy, the Company has conducted analysis on the external environment and adhered to its core leasing business and set reasonable strategies for asset allocation according to its own development strategies. The Company has carried out dynamic adjustments to its asset allocation in a timely manner based on factors including the changes in macroeconomic environment, guidelines under policies and reports of risk monitoring to achieve the goal of high-quality development. In the first half of 2023, the Company grasped the opportunities arising from the economic recovery to deepen its layout in strategic emerging industries such as high-end equipment manufacturing, digital economy and green leasing. Initiatives were encouraged to explore the development 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, we further extended our business coverage to high-quality state-owned enterprises and leading enterprises in the industry with strong risk resistance in areas such as new infrastructure, urban utilities, healthcare and construction in which the Company has robust business foundation. Efforts were also made to maintain relationship with high-quality customers. 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 more optimized.

- Accurately identifying and managing customer risks in a differentiated manner through continuous improvement of our precision assessment 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 while remaining vigilant against systemic risks. We also conducted special analysis and research on key development aspects and formulated personalized risk management policy based on the risk characteristics of customers. In the first half of 2023, the Company completed the update of the credit review guidelines for the manufacturing industry. We set differentiated customer introduction criteria for sub-category within the manufacturing sector based on our preferences and industry data analysis. We also clearly defined criteria for identifying high-quality customers and provided corresponding preferential policy. Additionally, we focused on the policy favorable to manufacturing enterprises with core technologies and competitiveness in the market. Furthermore, we put great 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.

## Management Discussion and Analysis

- Securing the long-term healthy and stable asset quality of the Company through improving the post-lease management system

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 multiple dimensions. Together with our real-time alert capabilities, we also enhanced risk identification and mitigation capability efficiently to secure the asset quality, which ensured the stability of our assets in the long run.

- Empowering business development and risk prevention continuously through the iteration of fin-tech tools

In the first half of 2023, 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 iterated. As such, the Company was able to further enhance the utilization scenarios and efficiency while improving the reliability of full cycle risk management. The deepening application of fin-tech has increased the proportion of online business process and provided the assurance for conducting business through remote means, which offered assistance in different dimensions and cross-authentication functions and improved the effectiveness of business development and risk management.

### 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.

## Management Discussion and Analysis

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 June 30, 2023		As at December 31, 2022	
	Amount	% of total	Amount	% of total
<b>(RMB in millions, except percentages)</b>				
Normal	<b>105,757.9</b>	<b>97.54%</b>	104,264.7	97.18%
Special mention	<b>1,490.6</b>	<b>1.37%</b>	1,864.7	1.73%
Substandard	<b>732.9</b>	<b>0.67%</b>	708.6	0.67%
Doubtful	<b>321.3</b>	<b>0.30%</b>	433.0	0.40%
Loss	<b>130.3</b>	<b>0.12%</b>	24.3	0.02%
<b>Total</b>	<b>108,433.0</b>	<b>100.00%</b>	107,295.3	100.00%
NPA ratio		<b>1.09%</b>		1.09%
Allowance coverage ratio for NPAs		<b>253.37%</b>		252.02%

The Group always focuses on risk management in the course of operation and management. In the first half of 2023, in the face of the turbulent and complicated international situation and the domestic economic environment where both opportunities and challenges existed in the course of recovery, the Group adhered to the concept of prudent and proactive risk management. Continuous efforts were made to step up the coordination of its development and safety, and optimize the whole-process risk management system, resulting in further enhancement of its risk management capability and level. As at June 30, 2023, the NPA ratio was 1.09%, which remained the same as compared with the end of 2022. During the Reporting Period, the asset quality remained stable and controllable.

## Management Discussion and Analysis

The Group paid great attention on risk identification and mitigation, carried out various measures such as reasonable adjustment of the business structure, increased introduction of high-quality customers, asset control empowered through intelligent IoT platform, more frequent inspection and timely warning report to promptly identify and mitigate project risks. As at June 30, 2023, the proportion of total interest-earning assets of the Group classified as normal was 97.54%, representing an increase of 0.36 percentage points as compared with the end of 2022, while the proportion of total interest-earning assets of the Group classified as special mention was 1.37%, representing a decrease of 0.36 percentage points as compared with the end of 2022. 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 and to ensure the sustainable and healthy development of the Company, the Group maintained reasonable sufficient allowance coverage ratio for NPAs. As at June 30, 2023, the coverage ratio for NPAs was 253.37%. The risk prevention ability has been further enhanced.

### 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 the first half of 2023, leveraging its advantages and in compliance with the policies and guidelines, the Company captured the opportunities arising from domestic economic recovery and optimized its asset layout and invested more resources in the expansion of strategic emerging sectors based on its strategic objectives. On the one hand, the Company put great efforts in the development of business in strategic emerging sectors based on its ESG system and asset allocation targets. The Company's new investment in green leasing segment including photovoltaic energy storage, green travel, and energy conservation and environmental protection exceeded RMB7.2 billion and the asset scale in green leasing amounted to RMB22 billion, which increased by approximately 19% as compared with the end of 2022. The investment provided strong support for the healthy growth of "emission peak and carbon neutrality" related enterprises. The Company seized the opportunities from the recovery of the manufacturing industry and the development of computational power to vigorously promote its business expansion in high-end equipment manufacturing, digital economy and other key areas. Efforts were also made to promote high-end, intelligent and green development of the manufacturing industry, securing a batch of high-quality projects and customers. On the other hand, the Company further deepened its understanding of the economic structural transformation and accelerated its business transformation by adjusting its business direction in the areas such as urban utilities, transportation and construction as well as duly reducing its traditional business. The Company also selected customers of higher level and with stronger market position, so as to facilitate the further optimization of its asset structure.

## Management Discussion and Analysis

As at June 30, 2023, 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 55.8% of the total interest-earning asset balance of the Group. The concentration of the three largest industries further decreased by 1.0 percentage points as compared with the end of 2022, and the control over asset concentration was reasonable. In the first half of 2023, the Company increased its investment in advanced manufacturing and energy and environmental protection sectors in accordance with the national strategies of low-carbon transformation of energy structure and upgrade of industrial structure. The Company also accelerated the transformation of its business structure and adjusted its business direction in sectors such as urban utilities, transportation and construction. Its traditional business was reduced to continuously optimize its asset structure. As such, reasonable risk diversification was achieved 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 the first half of 2023, against the backdrop of overall recovery of the domestic economy and the manufacturing industry, the Company continuously provided financial support to high-quality manufacturing customers to facilitate their recovery and development. The Company also focused on serving niche “small giant” enterprises according to the national policy of supporting the development of medium-, small- and micro-sized enterprises. During the first half of the year, the total investment in related high-end equipment manufacturing business exceeded RMB9.8 billion. The asset scale of the advanced manufacturing sector of the Company remained stable.

In respect of the urban utilities sector, in the first half of 2023, considering the fact the macroeconomy was recovering from the impact of the pandemic in a steady momentum, the Company grasped the opportunity to accelerate its business transformation and adjust its business direction in the urban utilities sector. The Company focused on promoting new infrastructure business such as 5G facilities, data centers and charging piles, as well as infrastructure network business such as transportation, green and low-carbon energy and water conservancy. It also reasonably reduced the new investment in traditional businesses and duly conducted post-lease asset management on existing operations. The internal asset structure of the urban utilities sector of the Company was transformed and optimized during the Reporting Period.

## Management Discussion and Analysis

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, solid waste treatment and kitchen waste treatment. In the first half of 2023, the new investment in energy and environmental protection sector was over RMB5.3 billion, representing an increase of 42% compared with the same period of last year. The investment further strengthened its position as 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.

### 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 the first half of 2023, we launched the program of “Year of Consolidating the Culture of Internal Control on Compliance” to enhance the concept of “everyone in compliance, proactive compliance” through activities such as promotion and cultivation of the compliance culture, compliance internal control team building and implementation guarantee in key areas, focusing on “consolidation” and aiming at “improvement” to provide strong support for our high-quality development. Meanwhile, we revised “Management Measures for Rules and Regulations” to further clarify the management mechanism of subsidiaries. We also revised the compliance manual and non-business legal review guidelines to form a set of compliance risk control documents with clear standards and strong operability, so as to consolidate the review responsibilities of front-line compliance personnel.

# Management Discussion and Analysis

## 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 indicators 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.

## 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 the first half of 2023, 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.

## 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 at a reasonable level by closely monitoring the market and managing our asset and liability structure.

We have also established a reporting mechanism that requires us to report the results of interest rate 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.

Our borrowings denominated in foreign currencies with LIBOR as the floating rate benchmark have basically completed the revision of the pegged conversion. Changes in the benchmark interest rates of foreign currencies will not have material adverse effects on the Group.

# Management Discussion and Analysis

We use interest rate swaps to hedge interest rate risks. As at June 30, 2023, the nominal amount of our interest rate swaps (including currency swaps) amount to RMB2,328.7 million.

## EXCHANGE RATE RISK

Exchange rate risk refers to the risk of our losses of overall revenue and economic value arising from adverse changes of exchange rate. Exchange rate risk of the Group is 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 June 30, 2023, the nominal amount of our currency forwards (including currency swaps) amounted to RMB1,452.6 million.

## OPERATIONAL RISK

Operational risk refers to the risk of losses associated with deficiencies or failure of the Company's internal processes, personnel and system, or impact from external events. Under comprehensive risk management framework, the Company has optimized procedures of operational risk management of various departments for identifying, assessing, measuring, monitoring, tackling and reporting of risks. We have also upgraded the information system by using the financial technology, which has significantly enhanced the efficiency and accuracy of procedures and further increased the quantitative management level of operational risk. In the first half of 2023, the operational risk of the Company was satisfactory and no major operational risk was recorded.

## 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 designated specific 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 the first half of 2023, the Group enjoyed a generally favorable reputation and no major reputational risk was encountered.

## 10. HUMAN RESOURCES

As at June 30, 2023, the Group had 1,830 full-time employees (excluding dispatched labors) in total. The Group has a team of high quality and professional employees. As at June 30, 2023, approximately 86.0% of the employees of the Group possess a bachelor's degree or above or tertiary level of above, and 24.6% of the employees possess a master's degree or above or postgraduate level or above.

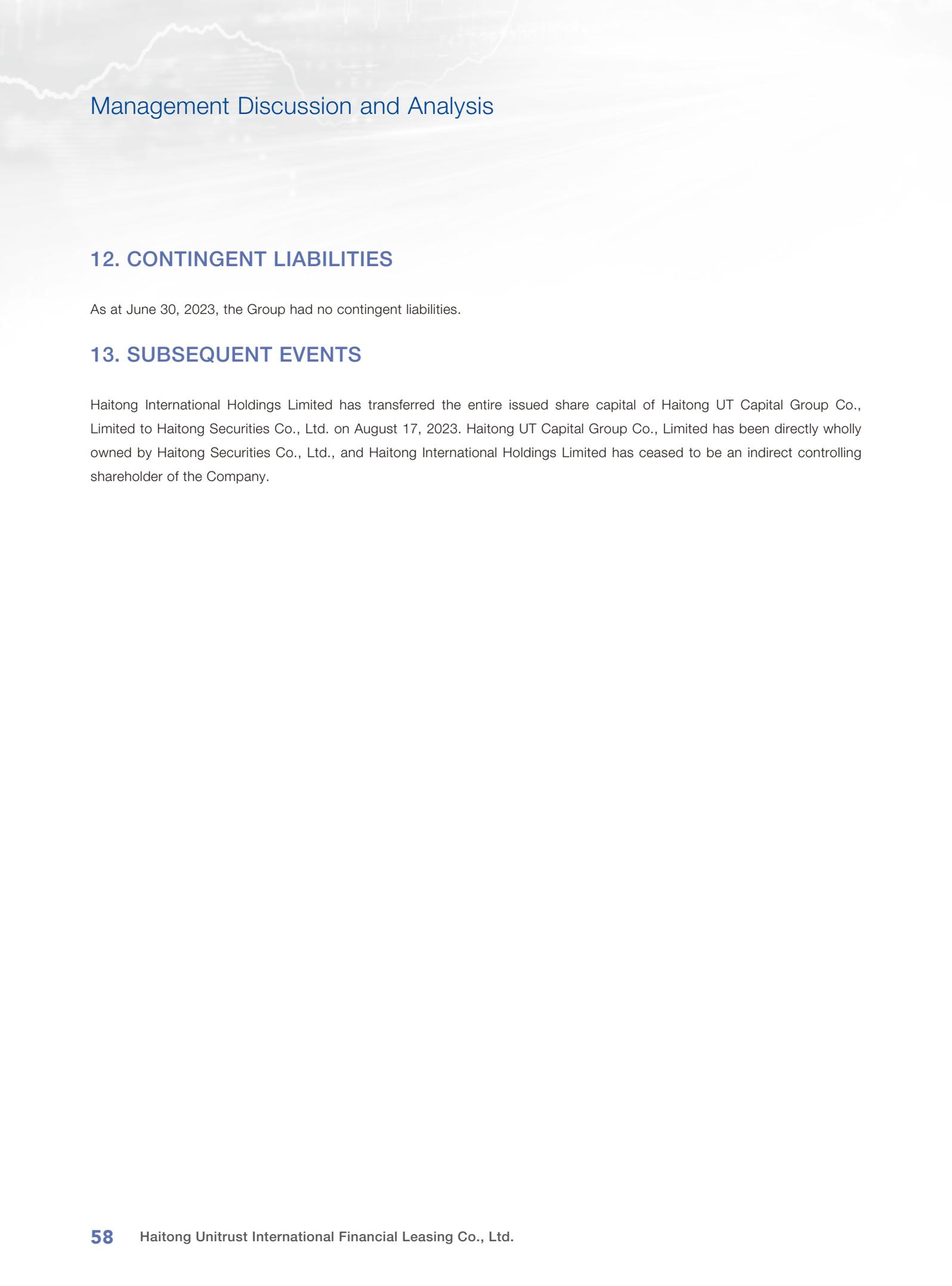
The Company has established a training management system covering programs, resources and operations to expand our talent reserve and coordinate talent promotion. During the first half of 2023, we had conducted 116 training projects in total with 9,559 person-times. We carried out "Strategic Talent Decision-making and Talent Pool" training for the heads of each business unit, empowering them with talent management concepts and methods to further promote the development of talent pool. We also carried out the "six training" project for new supervisors to strengthen their awareness of management, clarify their management responsibilities and improve their management skills. Based on the Company's requirement to "deeply cultivate and build an industry system that serves the overall economy", we placed our focus on implementing the "Research in the Right Way" industrial research project for industries under the strategic support of the Company. The Company developed a learning ecosystem of acquiring, inheriting and applying knowledge through establishing an online learning platform.

During the Reporting Period, the staff cost of the Group was RMB459.9 million, representing an increase of RMB32.1 million from RMB427.8 million for the same period last year.

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

## 11. CHARGES ON ASSETS

As at June 30, 2023, finance lease receivables with a carrying amount of approximately RMB388.5 million, and receivables arising from sale and leaseback arrangements with a carrying amount of approximately RMB2,374.7 million were pledged as collateral for borrowings, while property and equipment with a carrying amount of approximately RMB6,525.6 million were mortgaged and equity interests in certain subsidiaries held by the Group were pledged to banks as collateral for bank borrowings.



## Management Discussion and Analysis

### 12. CONTINGENT LIABILITIES

As at June 30, 2023, the Group had no contingent liabilities.

### 13. SUBSEQUENT EVENTS

Haitong International Holdings Limited has transferred the entire issued share capital of Haitong UT Capital Group Co., Limited to Haitong Securities Co., Ltd. on August 17, 2023. Haitong UT Capital Group Co., Limited has been directly wholly owned by Haitong Securities Co., Ltd., and Haitong International Holdings Limited has ceased to be an indirect controlling shareholder of the Company.

## 1. CORPORATE GOVERNANCE PRACTICE

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

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

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

## 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 (the "Model Code") set out in Appendix 10 to the Hong Kong Listing Rules. Having made specific enquiry of all Directors and Supervisors, the Directors and Supervisors of the Company have confirmed that they had complied with the abovementioned code during the Reporting Period.

## 3. INTERIM DIVIDEND

The Board recommended to distribute the interim cash dividend to all of its ordinary shareholders for the six months ended June 30, 2023. Based on the number of shares of 8,235,300,000 Shares, the interim dividend to be distributed will be RMB0.48 per 10 Shares (tax inclusive) with a total amount of RMB395,294,400.00 (tax inclusive). According to the Articles of Association, the proposed interim dividend will be paid to the holders of Domestic Shares and holders of H Shares in RMB and Hong Kong dollar, respectively. The actual distribution amount in Hong Kong dollar shall be determined with reference to the average mid-price of exchange rate between RMB and Hong Kong dollars announced by the People's Bank of China one week immediately prior to the date of the first extraordinary general meeting of 2023 to be held by the Company. Such interim dividend is subject to the approval of the Shareholders during the first extraordinary general meeting of 2023 to be held by the Company. Once approved, the 2023 interim dividend of the Company will be paid to the Shareholders whose names appear on the share register of the Company on Monday, October 30, 2023.

## Other Information

For the purpose of determining the entitlement of Shareholders to receive the 2023 interim dividend, the register of members of the Company will be closed from Wednesday, October 25, 2023 (inclusive) to Monday, October 30, 2023 (inclusive). In order to qualify for receiving the 2023 interim dividend, H Shareholders and Domestic Shareholders should ensure all transfer documents, accompanied by the relevant Share certificates, are lodged with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, and to the Company's registered office at No. 599 South Zhongshan Road, Huangpu District, Shanghai, PRC, respectively, before 4:30 p.m. on Tuesday, October 24, 2023. The 2023 interim dividend is expected to be distributed no later than Friday, December 8, 2023.

### Tax for Holders of H Shares

Pursuant to the Notice of Certain Issues on the Policies of Individual Income Tax by the Ministry of Finance and the State Taxation Administration (Cai Shui Zi [1994] No. 020) (《財政部、國家稅務總局關於個人所得稅若干政策問題的通知》(財稅字[1994]020號)), overseas individuals are for the time being exempt from the individual income tax of the PRC for the dividends and bonuses from foreign-invested enterprises. As the Company is a foreign-invested enterprise, overseas individual shareholders who are interested in the H Shares of the Company and whose names appeared in the register of holders of H Shares of the Company at the time of distribution of dividends of the Company shall not be subject to individual income tax of the PRC. Pursuant to the Notice of the State Administration of Taxation on the Issues Concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to Holders of H Shares Which Are Overseas Non-resident Enterprises (Guo Shui Han [2008] No. 897) (《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 law. H share companies listed on the Hong Kong Stock Exchange shall apply to CSDC for the provision of a register of domestic enterprise investors from CSDC to the H share companies, based on which the H share companies will not withhold and pay the income tax on behalf of the domestic enterprise investors in respect of the dividend received and those domestic enterprise investors shall report and pay the relevant tax themselves. When domestic enterprise investors report their enterprise income tax, they may apply for a tax credit for any income tax withheld and paid by non-H share companies listed on the Hong Kong Stock Exchange in respect of the dividends received according to law.

#### 4. AUDIT COMMITTEE

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

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

PricewaterhouseCoopers, the auditor of the Company, has reviewed the interim financial report prepared by the Group in accordance with the International Accounting Standards and the disclosure requirements of the Hong Kong Listing Rules. In addition, the Audit Committee has also reviewed and given consent to the interim results and interim report of the Group for the six months ended June 30, 2023.

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

Mr. Ren Peng ceased to serve as a non-executive Director of the Company on May 12, 2023. Mr. Zhang Xinjun was appointed as a non-executive Director of the Company on May 12, 2023. For details of the above changes of non-executive Directors, please refer to the announcements of the Company dated March 30, 2023 and May 12, 2023.

Mr. Zhang Xinjun was appointed as the deputy general manager of Haitong Securities on June 30, 2023.

Mr. Hu Zhangming was appointed as the deputy general manager (person in charge) of the Party Community Division of the Company on August 14, 2023.

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

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

### 7. SHARE SCHEME

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

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

#### Interests in the Shares and Underlying Shares of the Associated Corporation of the Company

Name of Director	Name of associated corporation	Capacity in which interests are held	Number of shares or underlying shares held	Number of underlying shares held under equity derivatives	Total	Approximate percentage of shareholdings
Zhang Xinjun	Haitong International Securities Group Limited <sup>(Note)</sup>	Beneficial owner	956,762	2,089,759	3,046,521	0.04%

Note: The company is an associated corporation of the Company by virtue of being a subsidiary of Haitong Securities Co., Ltd., the ultimate controlling shareholder of the Company.

Save as disclosed above, as at June 30, 2023, none of any other Directors, Supervisors or chief executive of the Company had any interests and short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or which were required to be recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

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

As at June 30, 2023, to the knowledge of the Directors, the following persons (excluding Directors, Supervisors and chief executive of the Company) had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

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

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

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

(3) Haitong International Holdings Limited transferred 100% of its equity interest in Haitong UT Capital to Haitong Securities on August 17, 2023. The equity transfer constitutes the internal group restructuring of the ultimate controlling shareholder of the Company, Haitong Securities, which will not affect the total number of shares of the Company ultimately held by Haitong Securities and will not have any material impact on the Company. For details, please refer to the announcements of the Company dated July 15, 2022 and August 17, 2023, respectively.



## Other Information

Save as disclosed above, as at June 30, 2023, 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.

### **10. LOAN AGREEMENTS**

During the Reporting Period, the Group did not have any new loan agreement entered into with specific banks which was required to be disclosed.

### **11. MATERIAL LAW, LITIGATION AND ARBITRATION**

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

### **12. SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS, DISPOSALS AND MERGERS**

The Company and its subsidiaries had no significant investment, material acquisition, disposal or merger during the Reporting Period.

### **13. FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

Save as disclosed otherwise in this report, the Company and its subsidiaries do not have any future plans for material investments or capital assets as at the date of this report.

# Definitions

“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
“Controlling Shareholder”	has the meaning ascribed to it under the Listing Rules
“Corporate Governance Code”	the Corporate Governance Code set out in Appendix 14 of Hong Kong Listing Rules, as amended, supplemented or otherwise modified from time to time
“CSRC”	China Securities Regulatory Commission
“Director(s)”	member(s) of the Board of our Company
“Domestic Share(s)”	ordinary share(s) in the share capital of our Company with a nominal value of RMB1.00 each, held by domestic investor(s) and listed on the Hong Kong Stock Exchange
“ESG”	Environment, Social and Governance
“Euro” or “EUR”	the currencies of 20 countries among the European Union
“Former CBIRC”	Former 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 NAFR will be established on the basis of the China Banking and Insurance Regulatory Commission, which was officially listed on May 18, 2023, and the CBIRC will no longer be retained
“GDP”	gross domestic product
“Group” or “we” or “us”	our Company and its subsidiaries
“H Share(s)”	share(s) 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

## Definitions

“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.
“PBOC” or the “Central Bank”	People’s Bank of China, the central bank of the PRC
“Reporting Period”	the six months ended June 30, 2023
“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

“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
“20th CPC National Congress”	the 20th National Congress of the Communist Party of China
“5G”	the fifth generation mobile communication technology
“ABS”	asset-backed security
“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
“LIBOR”	London Interbank Offered Rate, used as a benchmark for interest rates on commercial loans, mortgages and issued debt
“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

## Glossary of Technical Terms

“New Infrastructure”	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)

# Report on Review of Interim Financial Information



羅兵咸永道

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

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

## INTRODUCTION

We have reviewed the interim financial information set out on pages 71 to 122, which comprises the interim condensed consolidated statement of financial position of Haitong Unitrust International Financial Leasing Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") as at June 30, 2023 and the interim condensed consolidated statement of profit or loss, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and selected explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

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

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

**PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong,

August 30, 2023

# Interim Condensed Consolidated Statement of Profit or Loss for the Six Months Ended June 30, 2023

(All amounts expressed in thousands of RMB unless otherwise stated)

	Notes	Six months ended June 30	
		2023 (Unaudited)	2022 (Unaudited)
Revenue			
Finance lease income	5	781,925	1,280,943
Interest income from sale and leaseback arrangements	5	2,831,408	1,937,065
Operating lease income	5	281,513	262,553
Service fee income	5	383,249	488,560
Factoring interest income	5	—	111,156
Interest income from entrusted loans and other loans	5	7,721	11,913
<b>Total revenue</b>		<b>4,285,816</b>	4,092,190
Net investment gains or losses	6	(40,562)	(9,340)
Other income, gains or losses	7	299,130	171,970
Losses from derecognition of financial assets measured at amortised cost		(16,795)	(25,992)
<b>Total revenue and other income, gains or losses</b>		<b>4,527,589</b>	4,228,828
Depreciation and amortisation	8	(190,987)	(175,913)
Staff costs	9	(459,873)	(427,846)
Interest expenses	10	(1,850,432)	(1,769,597)
Other operating expenses	11	(182,561)	(142,516)
Impairment losses under expected credit loss model	12	(723,332)	(668,115)
Other impairment losses		(8,305)	(24,952)
<b>Total expenses</b>		<b>(3,415,490)</b>	(3,208,939)
<b>Profit before income tax</b>		<b>1,112,099</b>	1,019,889
Income tax expenses	13	(304,470)	(255,015)
<b>Profit for the period</b>		<b>807,629</b>	764,874

The notes on pages 79 to 122 are part of these financial statements.

## Interim Condensed Consolidated Statement of Profit or Loss for the Six Months Ended June 30, 2023

(All amounts expressed in thousands of RMB unless otherwise stated)

	Notes	Six months ended June 30	
		2023 (Unaudited)	2022 (Unaudited)
Attributable to:			
Owners of the Company			
— Ordinary shareholders		743,612	716,605
— Other equity instrument holders		62,762	47,747
Non-controlling interests		1,255	522
		<b>807,629</b>	764,874
Earnings per share attributable to ordinary shareholders of the Company (Expressed in RMB Yuan per share)			
— Basic	14	0.09	0.09
— Diluted	14	N/A	N/A

The notes on pages 79 to 122 are part of these financial statements.

# Interim Condensed Consolidated Statement of Comprehensive Income for the Six Months Ended June 30, 2023

(All amounts expressed in thousands of RMB unless otherwise stated)

	Six months ended June 30	
	2023 (Unaudited)	2022 (Unaudited)
Profit for the period	807,629	764,874
<b>Other comprehensive income:</b>		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	44,100	42,017
Fair value gain on hedging instruments designated as cash flow hedges	54,803	39,527
Other comprehensive income for the period, net of income tax	98,903	81,544
Total comprehensive income for the period	906,532	846,418
Attributable to:		
Owners of the Company		
— Ordinary shareholders	842,515	798,149
— Other equity instrument holders	62,762	47,747
Non-controlling interests	1,255	522
	906,532	846,418

The notes on pages 79 to 122 are part of these financial statements.

# Interim Condensed Consolidated Statement of Financial Position as at June 30, 2023

(All amounts expressed in thousands of RMB unless otherwise stated)

		June 30, 2023	December 31, 2022
	Notes	(Unaudited)	(Audited)
<b>Non-current assets</b>			
Property and equipment	16	7,339,834	7,307,246
Right-of-use assets	16	36,269	45,604
Intangible assets		21,909	17,843
Finance lease receivables	17	8,478,964	7,102,584
Receivables arising from sale and leaseback arrangements	18	47,157,535	47,847,820
Financial assets at fair value through profit or loss	23	96,851	107,353
Loans and receivables	19	2,511	5,130
Deferred tax assets	20	1,680,525	1,676,878
Other assets	21	2,879,960	2,778,452
<b>Total non-current assets</b>		<b>67,694,358</b>	66,888,910
<b>Current assets</b>			
Finance lease receivables	17	9,518,249	12,355,870
Receivables arising from sale and leaseback arrangements	18	40,012,579	36,702,132
Loans and receivables	19	261,894	343,387
Other assets	21	1,178,470	1,186,172
Accounts receivable	22	200,601	196,956
Financial assets at fair value through profit or loss	23	853,989	605,987
Derivative financial assets	24	177,046	113,356
Cash and bank balances	25	8,901,925	6,120,974
<b>Total current assets</b>		<b>61,104,753</b>	57,624,834
<b>Total assets</b>		<b>128,799,111</b>	124,513,744

The notes on pages 79 to 122 are part of these financial statements.

# Interim Condensed Consolidated Statement of Financial Position as at June 30, 2023

(All amounts expressed in thousands of RMB unless otherwise stated)

	Notes	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
<b>Current liabilities</b>			
Borrowings	26	24,943,636	25,672,450
Derivative financial liabilities	24	6,189	76,171
Accrued staff costs	27	304,641	363,352
Accounts payable	28	162,328	201,746
Bonds payable	29	25,930,542	23,883,071
Income tax payable		349,452	679,521
Other liabilities	30	6,638,984	6,684,475
<b>Total current liabilities</b>		<b>58,335,772</b>	57,560,786
<b>Net current assets</b>		<b>2,768,981</b>	64,048
<b>Total assets less current liabilities</b>		<b>70,463,339</b>	66,952,958
<b>Equity</b>			
Share capital	31	8,235,300	8,235,300
Reserves			
– Capital reserve		2,471,248	2,486,007
– Surplus reserve		713,394	713,394
– Hedging reserve		123,039	68,236
– Translation reserve		52,604	8,504
Retained profits		4,894,000	4,628,044
Other equity instruments	32	2,925,977	2,642,903
Equity attributable to owners of the Company		19,415,562	18,782,388
– Ordinary shareholders		16,489,585	16,139,485
– Other equity instrument holders		2,925,977	2,642,903
Non-controlling interests		47,097	44,276
<b>Total equity</b>		<b>19,462,659</b>	18,826,664

The notes on pages 79 to 122 are part of these financial statements.

# Interim Condensed Consolidated Statement of Financial Position as at June 30, 2023

(All amounts expressed in thousands of RMB unless otherwise stated)

		June 30, 2023	December 31, 2022
	Notes	(Unaudited)	(Audited)
<b>Non-current liabilities</b>			
Borrowings	26	23,608,503	23,146,831
Bonds payable	29	21,494,580	18,670,205
Deferred tax liabilities	20	18,142	13,360
Other liabilities	30	5,879,455	6,295,898
<b>Total non-current liabilities</b>		<b>51,000,680</b>	48,126,294
<b>Total equity and non-current liabilities</b>		<b>70,463,339</b>	66,952,958

The notes on pages 79 to 122 are part of these financial statements.

The unaudited interim condensed consolidated financial statements on pages 71 to 122 were approved and authorised for issue by the Board of Directors on August 30, 2023 and signed on behalf by:

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

**Zhou Jianli**  
Executive Director/  
General Manager

# Interim Condensed Consolidated Statement of Changes in Equity for the Six Months Ended June 30, 2023

(All amounts expressed in thousands of RMB unless otherwise stated)

	Attributable to owners of the Company							Other equity instruments (Note 32)	Non-controlling interests	Total equity
	Share capital (Note 31)	Capital reserve	Surplus reserve	Hedging reserve	Translation reserve	Retained profits	Ordinary shareholders Sub-total			
<b>At December 31, 2022 (Audited)</b>	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
Profit for the period	-	-	-	-	-	743,612	743,612	62,762	1,255	807,629
Other comprehensive income for the period	-	-	-	54,803	44,100	-	98,903	-	-	98,903
Total comprehensive income for the period	-	-	-	54,803	44,100	743,612	842,515	62,762	1,255	906,532
Issuance of other equity instruments	-	(14,759)	-	-	-	-	(14,759)	1,013,023	-	998,264
Redemption of other equity instruments	-	-	-	-	-	-	-	(600,000)	-	(600,000)
Interest distribution of other equity instruments	-	-	-	-	-	-	-	(192,720)	-	(192,720)
Dividends recognised as distribution of ordinary shares (Note 15)	-	-	-	-	-	(477,647)	(477,647)	-	-	(477,647)
Capital injection by non-controlling interests	-	-	-	-	-	-	-	-	1,566	1,566
Others	-	-	-	-	-	(9)	(9)	9	-	-
<b>At June 30, 2023 (Unaudited)</b>	8,235,300	2,471,248	713,394	123,039	52,604	4,894,000	16,489,585	2,925,977	47,097	19,462,659
<b>At December 31, 2021 (Audited)</b>	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 period	-	-	-	-	-	716,605	716,605	47,747	522	764,874
Other comprehensive income for the period	-	-	-	39,527	42,017	-	81,544	-	-	81,544
Total comprehensive income for the period	-	-	-	39,527	42,017	716,605	798,149	47,747	522	846,418
Issuance of other equity instruments	-	-	-	-	-	-	-	964,464	-	964,464
Redemption of other equity instruments	-	(6,955)	-	-	-	-	(6,955)	(1,193,045)	-	(1,200,000)
Interest distribution of other equity instruments	-	-	-	-	-	-	-	(77,424)	-	(77,424)
Dividends recognised as distribution of ordinary shares (Note 15)	-	-	-	-	-	(238,824)	(238,824)	-	-	(238,824)
Others	-	-	-	-	-	(76)	(76)	76	(44,746)	(44,746)
<b>At June 30, 2022 (Unaudited)</b>	8,235,300	2,486,007	585,260	62,243	(33,702)	4,368,642	15,703,750	2,126,330	39,451	17,869,531

The notes on pages 79 to 122 are part of these financial statements.

# Interim Condensed Consolidated Statement of Cash Flows

## for the Six Months Ended June 30, 2023

(All amounts expressed in thousands of RMB unless otherwise stated)

	Notes	Six months ended June 30	
		2023 (Unaudited)	2022 (Unaudited)
<b>Net cash generated from/(used in) operating activities</b>		<b>291,956</b>	1,479,217
<b>Investing activities</b>			
Proceeds from sale of financial assets held under resale agreements		—	8,579,974
Proceeds from sale of financial assets measured at amortised cost		—	289,742
Proceeds from sale of financial assets at fair value through profit or loss		<b>1,397,999</b>	1,884,528
Income received from financial investments		<b>6,913</b>	—
Disposal of property and equipment		<b>25</b>	1
Cash received from disposal of a subsidiary		—	132,053
Purchase of financial assets held under resale agreements		—	(8,879,980)
Purchase of financial assets at fair value through profit or loss		<b>(1,683,298)</b>	(1,510,000)
Purchase of property and equipment and intangible assets		<b>(12,927)</b>	(12,104)
<b>Net cash generated from/(used in) investing activities</b>		<b>(291,288)</b>	484,214
<b>Financing activities</b>			
Proceeds from issuance of other equity instruments		<b>1,000,000</b>	970,000
Proceeds from capital injection of the non-controlling investors		<b>1,566</b>	—
Proceeds from borrowings		<b>14,135,564</b>	17,396,232
Proceeds from issuance of bonds		<b>19,755,000</b>	17,772,280
Repayments of borrowings		<b>(14,581,547)</b>	(14,691,524)
Repayments of bonds payable		<b>(15,093,585)</b>	(17,914,093)
Redemption of other equity instruments		<b>(600,000)</b>	(1,200,000)
Repayments of lease liabilities		<b>(14,111)</b>	(30,807)
Payments for interest		<b>(1,598,674)</b>	(1,454,572)
Payments for the costs of borrowings		<b>(68,097)</b>	(31,098)
Payments for the costs of bonds issuance		<b>(72,339)</b>	(55,645)
Payments for the costs of other equity instruments issuance		<b>(5,255)</b>	(876)
Payments for distribution of other equity instruments		<b>(60,279)</b>	(77,424)
Payments for dividends		<b>(7,163)</b>	(3,583)
<b>Net cash generated from/(used in) financing activities</b>		<b>2,791,080</b>	678,890
<b>Net increase in cash and cash equivalents</b>		<b>2,791,748</b>	2,642,321
<b>Cash and cash equivalents at beginning of the period</b>	35	<b>5,409,483</b>	5,997,815
Effect of foreign exchange rate changes		<b>2,844</b>	610
<b>Cash and cash equivalents at end of the period</b>	35	<b>8,204,075</b>	8,640,746

The notes on pages 79 to 122 are part of these financial statements.

# Notes to the Interim Condensed Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

## 1. GENERAL INFORMATION

Haitong Unitrust International Financial Leasing Co., Ltd. (海通恆信國際融資租賃股份有限公司) (the “Company”) was listed on The Stock Exchange of Hong Kong Limited 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 as approved by relevant laws and regulations.

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

## 2. BASIS OF PREPARATION AND PRESENTATION

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

The unaudited interim condensed consolidated financial statements of the Group should be read in conjunction with the Group’s consolidated financial statements for the year ended December 31, 2022.

## 3. ACCOUNTING POLICY INFORMATION

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

As described below, other than additional accounting policies resulting from application of amendments to IFRSs and IASs, the accounting policies and methods of computation used in the interim condensed consolidated financial statements for the six months ended June 30, 2023 are the same as those presented in the Group’s consolidated financial statements for the year ended December 31, 2022.

### Application of amendments to IFRSs and IASs

In the current interim period, the Group has applied the following amendments to IFRSs and IASs issued by the IASB, for the first time, which are mandatorily effective for the annual periods beginning on or after January 1, 2023 for the preparation of the Group’s interim condensed consolidated financial statements:

IFRS 17	Insurance Contracts and the related Amendments
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

# Notes to the Interim Condensed Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

## 3. ACCOUNTING POLICY INFORMATION (CONTINUED)

### Application of amendments to IFRSs and IASs (continued)

The application of the amendments to IFRSs and IASs in the current interim period has had no material impact on the Group's financial positions and performance for the current interim period and prior years and/or on the disclosures set out in these interim condensed/annual consolidated financial statements.

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES

The preparation of the interim condensed consolidated financial statements requires the use of certain critical accounting estimates. It also requires management of the Group to exercise its judgment in the process of applying the accounting policies. The key sources of estimation uncertainty used in the interim condensed consolidated financial statements for six months ended June 30, 2023 are the same as those followed in the preparation of the Group's consolidated financial statements for the year ended December 31, 2022.

## 5. REVENUE AND SEGMENT INFORMATION

	Six months ended June 30	
	2023 (Unaudited)	2022 (Unaudited)
Interest income from sale and leaseback arrangements (Note i)	2,831,408	1,937,065
Finance lease income (Note ii)	781,925	1,280,943
Service fee income (Note iii)	383,249	488,560
Operating lease income	281,513	262,553
Interest income from entrusted loans and other loans (Note i)	7,721	11,913
Factoring interest income (Note i)	—	111,156
Total	4,285,816	4,092,190

Notes:

- (i) The interest income from sale and leaseback arrangements, factorings, and entrusted loans and other loans are all interest revenue calculated using the effective interest method.
- (ii) The Group has no variable lease payments which is not included in the measurement of finance lease receivables for the six months ended June 30, 2023 and 2022.
- (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 various consulting services to customers. The scope of services usually covers macroeconomic and strategic consulting, segmented industry and market analysis, providing ecosystem and industrial chain solutions, implementation plans consultation, recommending and sharing business, and other types of consulting services.

# Notes to the Interim Condensed Consolidated Financial Statements

(All amounts expressed 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 interim condensed consolidated statement of financial position and results of the Group as a whole for the purposes of allocating resources and assessing performance of the Group.

### Geographical information

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

### Information about major customers

During the six months ended June 30, 2023 and 2022, 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

	Six months ended June 30	
	2023 (Unaudited)	2022 (Unaudited)
Net losses arising from derivative financial instruments	—	(8)
Net losses arising from financial assets at fair value through profit or loss	(40,562)	(9,342)
Others	—	10
Total	(40,562)	(9,340)

## 7. OTHER INCOME, GAINS OR LOSSES

	Six months ended June 30	
	2023 (Unaudited)	2022 (Unaudited)
Government grants (Note)	124,574	89,324
Interest income from deposits with financial institutions	57,625	43,466
Interest income from asset-backed securities	40,446	39,771
Interest income from financial assets held under resale agreements	—	889
Gains/(Losses) on disposal of finance lease assets	887	(39,643)
Foreign exchange losses, net	(24,362)	(1,181)
Others	99,960	39,344
Total	299,130	171,970

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.

# Notes to the Interim Condensed Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

## 8. DEPRECIATION AND AMORTISATION

	Six months ended June 30	
	2023 (Unaudited)	2022 (Unaudited)
Depreciation of property and equipment	174,117	142,212
Depreciation of right-of-use assets	13,254	30,464
Amortisation of intangible assets	3,616	3,237
Total	190,987	175,913

## 9. STAFF COSTS

	Six months ended June 30	
	2023 (Unaudited)	2022 (Unaudited)
Salaries, bonus and allowances	343,605	325,346
Social welfare	94,236	84,455
Others	22,032	18,045
Total	459,873	427,846

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 organized by municipal and provincial governments in Mainland China, the Group is also required to make monthly contributions to annuity plans at fixed rates of the employees' salaries and bonus for the period. These pension plans constitute defined contribution. The Group's contributions to these pension plans are charged to profit or loss in the period to which they related.

## 10. INTEREST EXPENSES

	Six months ended June 30	
	2023 (Unaudited)	2022 (Unaudited)
Interest on liabilities:		
Bank and other borrowings	1,042,452	1,025,457
Bonds payable	807,107	741,265
Lease liabilities	873	2,875
Total	1,850,432	1,769,597

# Notes to the Interim Condensed Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

## 11. OTHER OPERATING EXPENSES

	Six months ended June 30	
	2023	2022
	(Unaudited)	(Unaudited)
Advisory expenses	44,111	32,592
Business travelling expenses	38,524	17,475
Electronic equipment operational expenses	23,479	1,400
Tax and surcharges	13,625	30,835
Administrative expenses	12,975	10,314
Communication expenses	8,058	4,078
Property management expenses	6,851	5,209
Business development expenses	4,976	4,189
Expenses incurred in recovery of leased assets	4,081	16,343
Bank charges	2,829	3,745
Auditor's fee	1,927	1,814
Others	21,125	14,522
<b>Total</b>	<b>182,561</b>	<b>142,516</b>

## 12. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL

	Six months ended June 30	
	2023	2022
	(Unaudited)	(Unaudited)
Impairment loss recognised/(reversed) on:		
– receivables arising from sale and leaseback arrangements	459,552	145,587
– finance lease receivables	145,668	639,862
– loans and receivables	84,287	(117,442)
– accounts receivable	6,151	(2,547)
– bank balances	(14)	1,035
– other financial assets	27,688	1,620
<b>Total</b>	<b>723,332</b>	<b>668,115</b>

# Notes to the Interim Condensed Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

## 13. INCOME TAX EXPENSES

	Six months ended June 30	
	2023 (Unaudited)	2022 (Unaudited)
Current tax:		
PRC Enterprise Income Tax	315,244	78,653
Hong Kong Profit Tax	5,060	4,784
Other jurisdictions	62	101
Sub-total	320,366	83,538
Deferred tax:	(15,896)	171,477
Total	304,470	255,015

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 25.0%. 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%.

## 14. EARNINGS PER SHARE

	Six months ended June 30	
	2023 (Unaudited)	2022 (Unaudited)
Earnings for the purpose of basic and diluted earnings per share:		
Profit for the period attributable to ordinary shareholders of the Company	743,612	716,605
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)	0.09	0.09
Diluted earnings per share (Expressed in RMB Yuan per share)	N/A	N/A

No diluted earnings per share for the six months ended June 30, 2023 and 2022 was presented as there were no potential ordinary shares in issue during the current/prior interim periods.

# Notes to the Interim Condensed Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

## 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 recommended to distribute a cash dividend of RMB0.48 per 10 shares (tax inclusive) in respect of the six months ended June 30, 2023 (the interim dividend), in an aggregate amount of RMB395,294,400.00 (tax inclusive), which is subject to approval by the shareholders in the first extraordinary general meeting of 2023 to be held (2022 interim dividend: RMB329,412,000.00 (tax inclusive)).

The annual cash dividend in respect of the year ended December 31, 2022 was RMB0.58 per 10 shares (tax inclusive), in an aggregate amount of RMB477,647,400.00 (tax inclusive) (2021 annual dividend: RMB238,823,700.00 (tax inclusive)).

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

During the six months ended June 30, 2023, the Group acquired items of property and equipment at a total cost of RMB5,302 thousand (six months ended June 30, 2022: RMB10,835 thousand).

As at June 30, 2023, the net carrying amount of the Group's property and equipment held for administrative purpose used as collateral for the Group's bank borrowings amounted to RMB1,616,814 thousand (December 31, 2022: nil).

As at June 30, 2023, the net carrying amount of the Group's aircraft held for operating leasing business amounted to RMB5,376,370 thousand (December 31, 2022: RMB5,293,471 thousand), among which RMB4,908,739 thousand was used as collateral for the Group's bank borrowings (December 31, 2022: RMB4,831,937 thousand).

During the current interim period, the Group entered into several new lease agreements with lease terms ranging from 24 to 36 months. During the six months ended June 30, 2023, the Group recognised right-of-use assets of RMB4,166 thousand (six months ended June 30 2022: RMB16,832 thousand) and lease liabilities of RMB4,166 thousand (six months ended June 30 2022: RMB16,832 thousand).

### Impairment assessment

During the six months ended June 30, 2023, aircraft were tested for indicators of impairment. In case where the carrying amounts of the aircraft exceeded the higher of value in use and fair value less costs of disposal, an impairment charge was recognised. Based on the result of the assessment, the Group recognised no impairment loss related to property and equipment during the current interim period (six months ended June 30, 2022: the Group recognised no impairment loss related to property and equipment). As at June 30, 2023, the Group's allowance for impairment losses for property and equipment amounted to RMB52,429 thousand (December 31, 2022: RMB50,534 thousand).

# Notes to the Interim Condensed Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

## 17. FINANCE LEASE RECEIVABLES

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Minimum finance lease receivables		
— Within one year	11,504,985	14,822,053
— In the second year	4,436,747	4,761,042
— In the third year	2,255,528	1,324,034
— In the fourth year	1,083,678	565,995
— In the fifth year	693,747	446,252
— After five years	1,852,560	1,586,042
Gross amount of finance lease receivables	21,827,245	23,505,418
Less: Unearned finance lease income	(2,708,871)	(2,457,072)
Present value of minimum finance lease receivables	19,118,374	21,048,346
Less: Loss allowance	(1,121,161)	(1,589,892)
Carrying amount of finance lease receivables	17,997,213	19,458,454
Present value of minimum finance lease receivables		
— Within one year	10,121,505	13,305,965
— In the second year	3,838,903	4,249,047
— In the third year	1,942,176	1,167,355
— In the fourth year	937,316	501,794
— In the fifth year	612,977	398,372
— After five years	1,665,497	1,425,813
<b>Total</b>	<b>19,118,374</b>	<b>21,048,346</b>
Analysed as:		
Current	9,518,249	12,355,870
Non-current	8,478,964	7,102,584
Total	17,997,213	19,458,454

# Notes to the Interim Condensed Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

## 17. 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 June 30, 2023, the Group's finance lease receivables pledged as collateral for the Group's bank borrowings amounted to RMB388,511 thousand (December 31, 2022: RMB426,016 thousand).

The floating interest rates of finance lease receivables were with reference to the Loan Prime Rate ("LPR") and were adjusted periodically.

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

	Stage 1 12-months expected credit loss ("ECL")	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
<b>As at December 31, 2022 (Audited)</b>	<b>439,314</b>	<b>531,299</b>	<b>619,279</b>	<b>1,589,892</b>
Changes in the loss allowance (Unaudited):				
– Transfer to Stage 1	86,751	(73,549)	(13,202)	–
– Transfer to Stage 2	(57,740)	71,013	(13,273)	–
– Transfer to Stage 3	(10,074)	(253,620)	263,694	–
– Recovery of finance lease receivables previously written off	–	–	51,929	51,929
– Write-offs	–	–	(314,668)	(314,668)
– Other derecognition	–	–	(351,660)	(351,660)
– (Reversal)/Charge for the period	(115,631)	140,338	120,961	145,668
<b>As at June 30, 2023 (Unaudited)</b>	<b>342,620</b>	<b>415,481</b>	<b>363,060</b>	<b>1,121,161</b>

# Notes to the Interim Condensed Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

## 17. FINANCE LEASE RECEIVABLES (CONTINUED)

	Stage 1 12-months expected credit loss ("ECL")	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
<b>As at December 31, 2021 (Audited)</b>	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
<b>As at December 31, 2022 (Audited)</b>	439,314	531,299	619,279	1,589,892

Analysis of present value of minimum finance lease receivables:

	Stage 1 12-months expected credit loss ("ECL")	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
<b>As at June 30, 2023 (Unaudited)</b>	<b>17,001,427</b>	<b>1,547,687</b>	<b>569,260</b>	<b>19,118,374</b>
<b>As at December 31, 2022 (Audited)</b>	18,404,094	1,623,102	1,021,150	21,048,346

# Notes to the Interim Condensed Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

## 18. RECEIVABLES ARISING FROM SALE AND LEASEBACK ARRANGEMENTS

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

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
— Within one year	44,657,553	41,038,254
— In the second year	28,845,939	27,141,407
— In the third year	14,494,914	15,714,479
— In the fourth year	6,291,065	6,709,395
— In the fifth year	2,059,066	3,069,131
— After five years	1,138,654	837,855
Gross amount of receivables arising from sale and leaseback arrangements	97,487,191	94,510,521
Less: Interest adjustment	(8,684,840)	(8,775,539)
Present value of receivables arising from sale and leaseback arrangements	88,802,351	85,734,982
Less: Loss allowance	(1,632,237)	(1,185,030)
Carrying amount of receivables arising from sale and leaseback arrangements	87,170,114	84,549,952
Present value of receivables arising from sale and leaseback arrangements:		
— Within one year	40,695,365	37,226,972
— In the second year	26,276,126	24,655,189
— In the third year	13,195,007	14,237,955
— In the fourth year	5,725,571	6,076,049
— In the fifth year	1,873,980	2,779,039
— After five years	1,036,302	759,778
Total	88,802,351	85,734,982

## Notes to the Interim Condensed Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

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

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Analysed as:		
Current	40,012,579	36,702,132
Non-current	47,157,535	47,847,820
<b>Total</b>	<b>87,170,114</b>	<b>84,549,952</b>

As at June 30, 2023, 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 RMB2,374,691 thousand (December 31, 2022: RMB5,005,702 thousand).

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

	Stage 1 12-months ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
<b>As at December 31, 2022 (Audited)</b>	<b>952,362</b>	<b>159,715</b>	<b>72,953</b>	<b>1,185,030</b>
Changes in the loss allowance (Unaudited):				
– Transfer to Stage 1	2,697	(322)	(2,375)	–
– Transfer to Stage 2	(53,987)	55,385	(1,398)	–
– Transfer to Stage 3	(4,808)	(74,530)	79,338	–
– Recovery of receivables arising from sale and leaseback arrangements previously written off	–	–	187	187
– Write-offs	–	–	(8,035)	(8,035)
– Other derecognition	–	–	(4,539)	(4,539)
– Charge for the period	41,106	257,993	160,453	459,552
– Exchange differences	42	–	–	42
<b>As at June 30, 2023 (Unaudited)</b>	<b>937,412</b>	<b>398,241</b>	<b>296,584</b>	<b>1,632,237</b>

# Notes to the Interim Condensed Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

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

	Stage 1 12-months ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
<b>As at December 31, 2021 (Audited)</b>	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
<b>As at December 31, 2022 (Audited)</b>	952,362	159,715	72,953	1,185,030

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
<b>As at June 30, 2023 (Unaudited)</b>	86,411,253	1,775,817	615,281	88,802,351
<b>As at December 31, 2022 (Audited)</b>	84,955,976	634,235	144,771	85,734,982

## Notes to the Interim Condensed Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

### 19. LOANS AND RECEIVABLES

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Entrusted loans and other loans	512,262	511,985
Subtotal of loans and receivables	512,262	511,985
Less: Loss allowance	(247,857)	(163,468)
Total	264,405	348,517
Analysed as:		
Current	261,894	343,387
Non-current	2,511	5,130
Total	264,405	348,517

# Notes to the Interim Condensed Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

## 19. LOANS AND RECEIVABLES (CONTINUED)

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

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Within one year	509,688	506,711
More than one year but not exceeding five years	2,574	5,274
Present value of entrusted loans and other loans	512,262	511,985
Less: Loss allowance	(247,857)	(163,468)
Carrying amount of entrusted loans and other loans	264,405	348,517

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

	Stage 1 12-months ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
<b>As at December 31, 2022 (Audited)</b>	3,301	160,167	—	163,468
Changes in the loss allowance (Unaudited):				
— Charge for the period	212	84,075	—	84,287
— Exchange differences	102	—	—	102
<b>As at June 30, 2023 (Unaudited)</b>	3,615	244,242	—	247,857

## Notes to the Interim Condensed Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

### 19. LOANS AND RECEIVABLES (CONTINUED)

19b. Movements of loss allowance for loans and receivables are as follows (continued):

	Stage 1 12-months ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
<b>As at December 31, 2021 (Audited)</b>	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
<b>As at December 31, 2022 (Audited)</b>	3,301	160,167	–	163,468

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

	Stage 1 12-months ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
<b>As at June 30, 2023 (Unaudited)</b>	<b>133,650</b>	<b>378,612</b>	–	<b>512,262</b>
<b>As at December 31, 2022 (Audited)</b>	133,373	378,612	–	511,985

### 20. DEFERRED TAXATION

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

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Deferred tax assets	1,680,525	1,676,878
Deferred tax liabilities	(18,142)	(13,360)
<b>Total</b>	<b>1,662,383</b>	1,663,518

## Notes to the Interim Condensed Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

### 20. DEFERRED TAXATION (CONTINUED)

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

	Loss allowance	Changes in fair value of derivatives	Changes in fair value of financial assets at fair value through profit or loss	Deductible tax losses	Accelerated depreciation	Others	Total
As at December 31, 2021							
(Audited)	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							
(Audited)	1,583,494	26,040	19,433	81,496	(67,274)	20,329	1,663,518
Credit/(Charge) to profit or loss	<b>(18,293)</b>	—	<b>11,950</b>	<b>13,142</b>	<b>(6,156)</b>	<b>15,253</b>	<b>15,896</b>
Charge to other comprehensive income	—	<b>(17,601)</b>	—	—	—	—	<b>(17,601)</b>
Exchange differences	<b>151</b>	<b>(2)</b>	—	<b>3,086</b>	<b>(2,750)</b>	<b>85</b>	<b>570</b>
As at June 30, 2023							
(Unaudited)	<b>1,565,352</b>	<b>8,437</b>	<b>31,383</b>	<b>97,724</b>	<b>(76,180)</b>	<b>35,667</b>	<b>1,662,383</b>

The Group did not have significant unrecognised deferred tax assets as at June 30, 2023 (December 31, 2022: nil).

# Notes to the Interim Condensed Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

## 21. OTHER ASSETS

### Non-current

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Long-term receivables from government cooperation projects (Note)	1,315,544	1,185,230
Other long-term receivables	555,005	550,155
Financial assets measured at amortised cost	431,415	428,905
Continuing involvement assets (Note 34)	405,030	412,055
Repossession of finance lease assets	152,331	157,048
Foreclosed assets	67,463	87,170
Prepayments on acquisition of property and equipment and intangible assets	3,407	3,374
Others	65,028	54,597
<b>Sub-total</b>	<b>2,995,223</b>	<b>2,878,534</b>
Less: Expected credit loss allowance	(35,551)	(27,949)
Allowance for impairment losses	(79,712)	(72,133)
<b>Total</b>	<b>2,879,960</b>	<b>2,778,452</b>

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 30.

### Current

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Properties under development	790,252	732,054
Notes receivable	154,167	134,571
Value added tax ("VAT") credit and others	138,337	196,402
Other long-term receivables due within one year	45,375	42,043
Prepayments	10,027	24,105
Deposits	8,309	11,095
Others	53,102	46,915
<b>Sub-total</b>	<b>1,199,569</b>	<b>1,187,185</b>
Less: Expected credit loss allowance	(21,099)	(1,013)
<b>Total</b>	<b>1,178,470</b>	<b>1,186,172</b>

# Notes to the Interim Condensed Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

## 21. OTHER ASSETS (CONTINUED)

Movements of expected credit loss allowance for other assets are as follows:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
At beginning of the period/year	28,962	20,971
Charged to profit or loss	27,688	7,991
At end of the period/year	56,650	28,962

Movements of impairment allowance for other assets are as follows:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
At beginning of the period/year	72,133	35,640
Charged to profit or loss	8,305	59,166
Derecognition	(726)	(22,673)
At end of the period/year	79,712	72,133

## 22. ACCOUNTS RECEIVABLE

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Accounts receivable from:		
— settlement of receivables and others	166,555	166,590
— operating lease	72,547	62,470
Sub-total	239,102	229,060
Less: Loss allowance	(38,501)	(32,104)
Total	200,601	196,956

## Notes to the Interim Condensed Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

### 22. ACCOUNTS RECEIVABLE (CONTINUED)

Analysed by aging as follows:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Within one year	165,498	196,940
More than one year but not exceeding two years	35,103	16
Total	200,601	196,956

Movements of loss allowance for accounts receivable are as follows:

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
At beginning of the period/year	32,104	37,453
Charged/(Credited) to profit or loss	6,151	(6,066)
Exchange differences	246	717
At end of the period/year	38,501	32,104

## Notes to the Interim Condensed Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

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

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Measured at fair value:		
Equity instruments	409,400	455,637
Funds	200,827	20,020
Asset management schemes and trust plans	151,023	237,683
Others	189,590	—
<b>Total</b>	<b>950,840</b>	713,340
Analysed as:		
Unlisted	446,481	343,332
Listed	504,359	370,008
Analysed as:		
Current	853,989	605,987
Non-current	96,851	107,353
<b>Total</b>	<b>950,840</b>	713,340

## Notes to the Interim Condensed Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

### 24. DERIVATIVE FINANCIAL INSTRUMENTS

	June 30, 2023 (Unaudited)		
	Nominal Amount	Assets	Liabilities
<i>Derivatives under hedge accounting:</i>			
Interest rate swaps ("IRS")	1,735,436	86,984	—
Currency forwards	859,308	56,214	(6,189)
Cross currency interest rate swaps	593,303	33,848	—
<b>Total</b>	<b>3,188,047</b>	<b>177,046</b>	<b>(6,189)</b>
	December 31, 2022 (Audited)		
	Nominal Amount	Assets	Liabilities
<i>Derivatives under hedge accounting:</i>			
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)
<b>Total</b>	<b>5,137,393</b>	<b>113,356</b>	<b>(76,171)</b>

As at June 30, 2023 and December 31, 2022, fixed interest rates for USD IRS ranged from 1.3700% to 4.3650%.

As at June 30, 2023, currency forwards with forward exchange rates of buying USD and selling RMB were 7.3825 (December 31, 2022: from 6.4825 to 7.3891).

As at June 30, 2023 and December 31, 2022, currency forwards with forward exchange rates of buying EUR and selling RMB ranged from 7.0681 to 7.4909.

As at June 30, 2023, currency forwards with forward exchange rates of buying JPY and selling RMB ranged from 0.0519 to 0.0546 (December 31, 2022: nil).

As at June 30, 2023 and December 31, 2022, cross currency interest rate swaps with fixed interest rates for HKD IRS ranged from 3.8000% to 4.3000% and cross currency interest rate swaps with forward exchange rates of buying HKD and selling RMB ranged from 0.8105 to 0.8810.

# Notes to the Interim Condensed Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

## 24. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

As at June 30, 2023, no USD cross currency interest rate swap was held by the Group (December 31, 2022: cross currency interest rate swaps with fixed interest rates for USD IRS ranged from 3.1300% to 3.5200% and cross currency interest rate swaps with forward exchange rates of buying USD and selling RMB ranged from 7.0476 to 7.0980).

### Cash flow hedge

During the six months ended June 30, 2023, the Group used interest rate swaps, currency forwards and cross currency interest rate swaps to hedge against exposures to cash flow variability primarily from interest rate and foreign exchange risks of borrowings.

During the six months ended June 30, 2023, the Group's net gain before tax from the cash flow hedges recognised in other comprehensive income was RMB72,403 thousand (during the six months ended June 30, 2022: net gain of RMB22,418 thousand), and the net gain after considering the impact of income tax was RMB54,803 thousand (during the six months ended June 30, 2022: net gain of RMB39,527 thousand); during the current period, the Group reclassified an amount of RMB63,942 thousand from other comprehensive income to profit or loss due to fluctuations in exchange rates and interest rates (during the six months ended June 30, 2022: an amount of RMB126,878 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.

## 25. CASH AND BANK BALANCES

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Cash and bank balances	8,204,075	5,409,483
Restricted bank deposits (Note)	697,917	711,572
Less: Loss allowance	(67)	(81)
Total	8,901,925	6,120,974

Note: This represents deposits held by the Group that were mainly relating to bank acceptance bills and aircraft maintenance funds as at June 30, 2023 and December 31, 2022, and were restricted for use.

## Notes to the Interim Condensed Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

### 26. BORROWINGS

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Bank borrowings	47,553,669	47,665,564
Other financial institutions borrowings	755,088	926,164
Interest payable	209,313	183,678
Lease liabilities	34,069	43,875
<b>Total</b>	<b>48,552,139</b>	48,819,281
Analysed as:		
Current	24,943,636	25,672,450
Non-current	23,608,503	23,146,831
<b>Total</b>	<b>48,552,139</b>	48,819,281

#### 26a. Bank borrowings

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Secured borrowings	6,617,096	7,611,797
Unsecured and unguaranteed borrowings	40,936,573	40,053,767
<b>Total</b>	<b>47,553,669</b>	47,665,564
Analysed as:		
Current	24,345,991	25,090,892
Non-current	23,207,678	22,574,672
<b>Total</b>	<b>47,553,669</b>	47,665,564

# Notes to the Interim Condensed Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

## 26. BORROWINGS (CONTINUED)

### 26a. Bank borrowings (continued)

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Carrying amount repayable:		
Within one year	24,345,991	25,090,892
More than one year but not exceeding two years	13,218,765	11,599,756
More than two years but not exceeding five years	8,991,716	10,082,209
More than five years	997,197	892,707
<b>Total</b>	<b>47,553,669</b>	47,665,564

The secured borrowings were pledged by finance lease receivables, receivables arising from sale and leaseback arrangements and the Company's equity interests in certain subsidiaries and were mortgaged by property and equipment. Please refer to Notes 16, 17 and 18 for details.

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

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Contractual interest rate:		
Fixed-rate borrowings	0.40% to 4.60%	1.49% to 4.60%
Floating-rate borrowings	LPR Plus -1.25% to 0.70%	LPR Plus -1.25% to 0.95%
	London Inter Bank Offered Rate ("LIBOR") Plus 0.92% to 1.75%	London Inter Bank Offered Rate ("LIBOR") Plus 0.92% to 1.75%
	Compound Secured Overnight Financing Rate ("SOFR") Plus 1.12%	
	Hong Kong Inter Bank Offered Rate ("HIBOR") Plus 0.20% to 1.00%	Hong Kong Inter Bank Offered Rate ("HIBOR") Plus 0.20% to 1.00%

## Notes to the Interim Condensed Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

### 26. BORROWINGS (CONTINUED)

#### 26b. Other financial institutions borrowings

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Secured borrowings	451,236	516,620
Unsecured and unguaranteed borrowings	303,852	409,544
<b>Total</b>	<b>755,088</b>	926,164
Analysed as:		
Current	367,465	374,016
Non-current	387,623	552,148
<b>Total</b>	<b>755,088</b>	926,164

The secured borrowings were pledged by receivables arising from sale and leaseback arrangements. Please refer to Notes 18 for details.

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Carrying amount repayable:		
Within one year	367,465	374,016
More than one year but not exceeding two years	296,707	311,365
More than two years but not exceeding five years	90,916	240,783
<b>Total</b>	<b>755,088</b>	926,164

As at June 30, 2023 and December 31, 2022, the effective interest rate of the borrowings from other financial institutions ranged from 3.90% to 4.78% per annum.

## Notes to the Interim Condensed Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

### 26. BORROWINGS (CONTINUED)

#### 26c. Lease liabilities

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Carrying amount repayable:		
Within one year	20,867	23,864
More than one year but not exceeding two years	11,204	14,351
More than two years but not exceeding five years	1,998	5,660
Total	34,069	43,875
Amount due for settlement within 12 months shown under current liabilities	20,867	23,864
Amount due for settlement after 12 months shown under non-current liabilities	13,202	20,011

As at June 30, 2023 and December 31, 2022, the weighted average incremental borrowing rates applied to lease liabilities ranged from 4.30% to 4.75%.

### 27. ACCRUED STAFF COSTS

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Salaries, bonus and allowances and others	304,641	363,352
Total	304,641	363,352

## Notes to the Interim Condensed Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

### 28. ACCOUNTS PAYABLE

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Accounts payable for acquisition of leasing equipment	162,328	201,746
Analysed by aging as:		
Within 90 days	105,596	183,288
More than 90 days	56,732	18,458
Total	162,328	201,746

### 29. BONDS PAYABLE

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Analysed as:		
Current	25,930,542	23,883,071
Non-current	21,494,580	18,670,205
Total	47,425,122	42,553,276

# Notes to the Interim Condensed Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

## 29. BONDS PAYABLE (CONTINUED)

### 29a. Bonds payable analysed by nature

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Ultra-short-term commercial papers (Note i)	4,998,226	4,997,623
Asset-backed securities (Note ii)	13,324,909	10,691,698
Fixed medium-term notes (Note iii)	9,623,862	8,038,543
Corporate bonds (Note iv)	12,856,931	12,968,372
Private placement notes (Note v)	997,820	1,996,206
Asset-backed notes (Note vi)	3,080,536	2,440,362
Short-term commercial papers (Note vii)	1,998,887	998,955
Interest payable	543,951	421,517
<b>Total</b>	<b>47,425,122</b>	<b>42,553,276</b>

(i): Ultra-short-term commercial papers

Issue Date	Outstanding principal amount RMB' million	Coupon rate	Term
November 15, 2022	1,000	2.51%	9 months
February 14, 2023	1,000	2.63%	6 months
March 7, 2023	1,000	2.73%	6 months
April 18, 2023	1,000	2.48%	7 months
April 25, 2023	1,000	2.56%	9 months

# Notes to the Interim Condensed Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

## 29. BONDS PAYABLE (CONTINUED)

### 29a. Bonds payable analysed by nature (continued)

(ii): Asset-backed securities

Issue Date	Outstanding principal amount RMB' million	Coupon rate	Term
December 8, 2021	Senior: 5; Junior: 50	Senior: 4.00%	Senior: 21 months; Junior: 33 months
December 29, 2021	Senior: 38; Junior: 50	Senior: 3.95%	Senior: 20 months; Junior: 59 months
April 13, 2022	Senior: 122; Junior: 60	Senior: 3.24% and 3.40%	Senior: 20 months; Junior: 56 months
May 18, 2022	Senior: 247; Junior: 60	Senior: 2.95% and 3.20%	Senior: 22 months; Junior: 55 months
June 29, 2022	Senior: 421; Junior: 50	Senior: 3.19% and 3.60%	Senior: 32 months; Junior: 56 months
July 12, 2022	Senior: 419; Junior: 60	Senior: 3.00% and 3.03%	Senior: 23 months; Junior: 58 months
September 8, 2022	Senior: 590; 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: 571; Junior: 50	Senior: 2.25%, 2.98% and 3.40%	Senior: 35 months; Junior: 59 months
November 25, 2022	Senior: 738; Junior: 60	Senior: 3.18%, 3.50% and 3.60%	Senior: 24 months; Junior: 60 months
December 23, 2022	Senior: 950; Junior: 50	Senior: 4.30%	Senior: 11 months; Junior: 11 months
December 23, 2022	Senior: 1,425; Junior: 75	Senior: 4.48%	Senior: 36 months; Junior: 72 months
January 13, 2023	Senior: 699; Junior: 50	Senior: 3.96%, 4.50% and 4.70%	Senior: 31 months; Junior: 55 months
March 8, 2023	Senior: 865; Junior: 60	Senior: 3.15%, 3.63% and 3.70%	Senior: 23 months; Junior: 56 months
March 16, 2023	Senior: 737; Junior: 50	Senior: 3.20%, 3.70% and 4.00%	Senior: 28 months; Junior: 52 months
May 16, 2023	Senior: 1,140; Junior: 60	Senior: 2.69%, 3.28% and 3.43%	Senior: 22 months; Junior: 58 months
May 24, 2023	Senior: 950; Junior: 50	Senior: 2.68%, 3.48% and 3.62%	Senior: 31 months; Junior: 55 months
June 7, 2023	Senior: 950; Junior: 50	Senior: 2.70%, 3.38% and 3.58%	Senior: 34 months; Junior: 55 months
June 27, 2023	Senior: 1,140; Junior: 60	Senior: 2.69%, 3.18% and 3.41%	Senior: 24 months; Junior: 60 months

# Notes to the Interim Condensed Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

## 29. BONDS PAYABLE (CONTINUED)

### 29a. Bonds payable analysed by nature (continued)

(iii): Fixed medium-term notes

Issue Date	Outstanding principal amount RMB' million	Coupon rate	Term
August 27, 2020	500	4.20%	3 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
February 21, 2023	1,000	4.20%	3 years
June 2, 2023	1,000	3.81%	3 years

Issue Date	Outstanding principal amount USD' million	Coupon rate	Term
May 28, 2021	100	3.00%	3 years
April 27, 2022	200	4.20%	3 years

(iv): Corporate bonds

Issue Date	Outstanding principal amount RMB' million	Coupon rate	Term
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	680	3.65%	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
April 13, 2023	1,000	3.90%	3 years
June 20, 2023	1,000	3.80%	5 years (3+2)

# Notes to the Interim Condensed Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

## 29. BONDS PAYABLE (CONTINUED)

### 29a. Bonds payable analysed by nature (continued)

(v): Private placement notes

Issue Date	Outstanding principal amount RMB' million	Coupon rate	Term
November 9, 2021	1,000	4.19%	3 years

(vi): Asset-backed notes

Issue Date	Outstanding principal amount RMB' million	Coupon rate	Term
March 8, 2022	Senior: 232; Junior: 50	Senior: 3.30% and 3.50%	Senior: 30 months; Junior: 45 months
January 13, 2023	Senior: 955	Senior: 2.98%	Senior: 6 months
March 15, 2023	Senior: 950	Senior: 2.96%	Senior: 6 months
April 6, 2023	Senior: 950; Junior: 50	Senior: 2.90% and 3.29%	Senior: 14 months; Junior: 47 months

(vii): Short-term commercial papers

Issue Date	Outstanding principal amount RMB' million	Coupon rate	Term
October 24, 2022	1,000	2.45%	12 months
January 9, 2023	1,000	3.41%	12 months

# Notes to the Interim Condensed Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

## 30. OTHER LIABILITIES

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
<b>Current</b>		
Deposits due within one year	1,976,201	2,653,842
Bank acceptance bills	1,559,146	2,047,521
Dividends payable	602,926	—
Contract liabilities	436,500	159,962
Government cooperation project payables (Note 21)	234,876	254,424
Advance receipts	227,396	24,573
Accrued expenses	208,124	243,355
Government outsourcing project payables	41,376	35,174
Deferred revenue	41,158	53,128
Other taxes payable	17,920	63,327
Other payables	1,293,361	1,149,169
<b>Total</b>	<b>6,638,984</b>	<b>6,684,475</b>
<b>Non-current</b>		
Deposits from customers	4,255,699	4,303,758
Continuing involvement liabilities (Note 34)	405,030	412,055
Deferred revenue	400,308	422,792
Aircraft maintenance funds	283,463	325,655
Government cooperation project payables (Note 21)	88,263	69,897
Deposits from suppliers and agents	85,810	94,145
Accrued expenses	61,655	71,232
Contract liabilities	—	144,038
Other payables	299,227	452,326
<b>Total</b>	<b>5,879,455</b>	<b>6,295,898</b>

# Notes to the Interim Condensed Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

## 31. SHARE CAPITAL

	June 30, 2023		December 31, 2022	
	Number of shares (thousand)	Nominal Value	Number of shares (thousand)	Nominal Value
Issued and fully paid:				
— Domestic shares of RMB1.00 Yuan each	2,440,847	2,440,847	2,440,847	2,440,847
— H Shares of RMB1.00 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.

## 32. OTHER EQUITY INSTRUMENTS

- (1) Other equity instruments issued by the Company as at June 30, 2023:
- (i) The Company issued renewable corporate bonds with value date on September 10, 2021 and principal amount of RMB530,000 thousand on September 9, 2021.
  - (ii) The Company issued renewable corporate bonds with value date on March 14, 2022 and principal amount of RMB970,000 thousand on March 11, 2022.
  - (iii) The Company issued renewable corporate bonds with value date on November 21, 2022 and principal amount of RMB500,000 thousand on November 17, 2022.
  - (iv) The Company issued renewable corporate bonds with value date on March 10, 2023 and principal amount of RMB1,000,000 thousand on March 8, 2023.

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 of the interest deferral; Interest deferring under the situations mentioned above are not considered as a breach of the contract for the Company.

# Notes to the Interim Condensed Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

## 32. OTHER EQUITY INSTRUMENTS (CONTINUED)

- (1) Other equity instruments issued by the Company as at June 30, 2023 (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.

- (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 are presented as other equity instruments under IAS 32 *Financial Instruments: Presentation*.

- (3) For the six months ended June 30, 2023, profit attributable to the holders of other equity instruments of the Company amounting to RMB62,762 thousand (for the six months ended June 30, 2022, the amount is RMB47,747 thousand), are determined with reference to the distribution rate specified in the terms and conditions.

- (4) For the six months ended June 30, 2023, the Company had distributed interest to the holders of other equity instruments of the Company amounting to RMB192,720 thousand (for the six months ended June 30, 2022, the amount is RMB77,424 thousand).

## 33. INTERESTS IN STRUCTURED ENTITIES

- (1) **Interest in consolidated structured entities**

The Group holds interests in certain structured entities through investments in the shares, securities or notes issued by these structured entities. The assets of these structured entities mainly include asset-backed securities, asset-backed notes and fund investments. When assessing whether to consolidate these structured entities, the Group assesses 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. As at June 30, 2023, the structured entities consolidated by the Group mainly include asset backed securities, asset backed notes and a fund. 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 23 and 34 for details.

# Notes to the Interim Condensed Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

## 33. INTERESTS IN STRUCTURED ENTITIES (CONTINUED)

### (2) Interest in unconsolidated structured entities

The Group has interests in structured entities managed by third parties through investing in funds, asset management schemes and trust plans.

The carrying amount and maximum risk exposure of the unconsolidated structured entities amounted to RMB352 million and RMB258 million as at June 30, 2023 and December 31, 2022, respectively. As at June 30, 2023 and December 31, 2022, total fair value gains from these structured entities amounted to RMB1,850 thousand and RMB4,704 thousand, respectively. These amounts are included in the items presented in Note 6 and 23.

## 34. TRANSFERS OF FINANCIAL ASSETS

### Asset-backed securities

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

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

As at June 30, 2023, the carrying amount of finance lease receivables and receivables arising from sale and leaseback arrangements that have been transferred but not derecognised was RMB13,154 million (December 31, 2022: RMB10,149 million). As at June 30, 2023, the related carrying amount of financial liabilities was RMB13,325 million (December 31, 2022: RMB10,692 million).

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

As at June 30, 2023, the carrying amount of finance lease receivables and receivables arising from sale and leaseback arrangements that have been securitised by the Group under arrangements in which the Group retained a continuing involvement in such assets was RMB1,958 million (December 31, 2022: RMB2,567 million). As at June 30, 2023, the carrying amount of assets that the Group continued to recognise was RMB405 million (December 31, 2022: RMB412 million). The Group recognised the same amount arising from such continuing involvement in other assets and other liabilities.

# Notes to the Interim Condensed Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

## 34. TRANSFERS OF FINANCIAL ASSETS (CONTINUED)

### 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 June 30, 2023, the carrying amount of finance lease receivables and receivables arising from sale and leaseback arrangements that have been transferred but not derecognised was RMB2,241 million (December 31, 2022: RMB1,887 million).

As at June 30, 2023, the related carrying amount of financial liabilities was RMB3,081 million (December 31, 2022: RMB2,440 million).

## 35. CASH AND CASH EQUIVALENTS

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

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Deposits in banks	8,204,075	5,409,483
Total	8,204,075	5,409,483

## 36. CAPITAL COMMITMENTS

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Contracted, but not provided for:		
Construction agreements under Public-Private Partnership and government outsourcing projects	465,397	608,458
Equipment held for operating lease business	249,686	—
Total	715,083	608,458

# Notes to the Interim Condensed Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

## 37. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

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

<u>Name of the related party</u>	<u>Relationship of the related party</u>
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
Uican Limited	Fellow Subsidiary
Haitong International Securities Co., Ltd.	Fellow Subsidiary
Shanghai Weitai Properties Management Co., Ltd.	Fellow Subsidiary

Other than as disclosed elsewhere in these interim condensed consolidated financial statements, the Group had the following material transactions with the related parties for the six months ended June 30, 2023 and 2022:

(1) Interest expenses

	Six months ended June 30,	
	2023	2022
	(Unaudited)	(Unaudited)
Uican Limited	—	19,348

(2) Other operating expenses

	Six months ended June 30,	
	2023	2022
	(Unaudited)	(Unaudited)
Shanghai Weitai Properties Management Co., Ltd.	16	—

The Group had the following material balances with the related parties as at June 30, 2023 and December 31, 2022:

(3) Bonds payable

	June 30, 2023	December 31, 2022
	(Unaudited)	(Audited)
Haitong Securities Co., Ltd. (Note)	—	315,000

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

# Notes to the Interim Condensed Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

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

The Group had the following material balances with the related parties as at June 30, 2023 and December 31, 2022 (continued):

(4) Other equity instruments

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Haitong Securities Co., Ltd. (Note)	—	80,000

Note: Other equity instrument investment represents Haitong Securities Co., Ltd. invested in the other equity instrument issued by the Company.

(5) Others

(a) Key management personnel:

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

	Six months ended June 30,	
	2023 (Unaudited)	2022 (Unaudited)
Basic salaries and allowances	3,048	2,938
Bonus	7,720	13,180
Employer's contribution to pension schemes	1,273	1,310

(b) Payment of referral service fees to related party

	Six months ended June 30,	
	2023 (Unaudited)	2022 (Unaudited)
Haitong Securities Co., Ltd. (Note)	416	1,034

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.

# Notes to the Interim Condensed Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

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

(5) Others (continued)

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

	Six months ended June 30,	
	2023	2022
	(Unaudited)	(Unaudited)
Haitong Securities Co., Ltd.	36,839	13,953
Shanghai HFT Fortune Asset Management Co., Ltd.	—	44
Shanghai Haitong Securities Asset Management Co., Ltd.	2,165	2,512
Haitong International Securities Co., Ltd.	—	999

Note: These issuance costs relating to debt liabilities issued were recognised as a deduction from the proceeds received from the debt liabilities issued and amortised over the term of the debts as part of the effective interest expenses.

## 38. FINANCIAL RISK MANAGEMENT

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

During the six months ended June 30, 2023, there has been no material changes in the risk management policies. The interim condensed consolidated financial statements do not include all financial risk management information and disclosure and should be read in conjunction with the consolidated financial statements for the year ended December 31, 2022.

# Notes to the Interim Condensed Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

## 39. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

Some of the financial assets and financial liabilities are measured at fair value 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		Fair value Hierarchy	Valuation technique(s) and key input(s)
	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)		
1) Financial assets at fair value through profit or loss				
— Funds	200,827	20,020	Level 2	Net asset value as published by the fund manager.
— Equity instruments	120,233	146,769	Level 1	Quoted bid price in an active market.
	289,167	308,868	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 discounted cash flow, future cash flows are discounted using weighted average cost of capital.
— Asset management schemes and trust plans	151,023	237,683	Level 2	Net asset value as published by the issuer/financial institution.
— Others	189,590	—	Level 2	Net asset value as published by financial institution.

# Notes to the Interim Condensed Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

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

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

Financial assets/ financial liabilities	Fair value as at		Fair value Hierarchy	Valuation technique(s) and key input(s)
	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)		
2) Currency forwards	<b>Assets:</b> <b>56,214</b> <b>Liabilities:</b> <b>(6,189)</b>	Assets: 19,988 Liabilities: (40,626)	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 exchange rates, discounted at a rate that reflects the credit risk of various counterparties.
3) Interest rate swaps	<b>Assets:</b> <b>86,984</b> <b>Liabilities:</b> <b>—</b>	Assets: 87,005 Liabilities: (18,745)	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, discounted at a rate that reflects the credit risk of various counterparties.
4) Cross currency interest rate swaps	<b>Assets:</b> <b>33,848</b> <b>Liabilities:</b> <b>—</b>	Assets: 6,363 Liabilities: (16,800)	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange/interest rates (from observable forward exchange rates/observable yield curves at the end of the reporting period) and contract exchange/interest rates, discounted at a rate that reflects the credit risk of various counterparties.

Management determines the fair value of the Group's level 3 equity instruments using valuation techniques that incorporate unobservable input. 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.

# Notes to the Interim Condensed Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

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

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

As at June 30 2023, 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 six months ended June 30, 2023 and the year ended December 31, 2022.

The following table represents the changes in Level 3 financial instruments for the relevant period/year.

### Financial assets at FVTPL

	Equity instruments
At December 31, 2022 (Audited)	308,868
Changes in fair value recognised in profit or loss	(23,764)
Transfer from level 1	4,063
At June 30, 2023 (Unaudited)	289,167
Total losses for assets held at June 30, 2023	
– unrealised losses recognised in profit or loss	(23,764)
	Equity instruments
At December 31, 2021 (Audited)	430,630
Changes in fair value recognised in profit or loss	(121,762)
At December 31, 2022 (Audited)	308,868
Total losses for assets held at December 31, 2022	
– unrealised losses recognised in profit or loss	(121,762)

# Notes to the Interim Condensed Consolidated Financial Statements

(All amounts expressed in thousands of RMB unless otherwise stated)

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

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

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

	June 30, 2023 (Unaudited)				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial liabilities:					
Bonds payable	47,425,122	47,674,524	—	47,674,524	—

	December 31, 2022 (Audited)				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial liabilities:					
Bonds payable	42,553,276	42,687,995	—	42,687,995	—

The fair value of bonds payable is determined in accordance with generally accepted valuation models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

Except for the above, the directors of the Company consider that the carrying amounts of other financial assets and financial liabilities recorded at amortised cost on the Group's interim condensed consolidated statements of financial position approximate their fair values because the majority of these financial assets and financial liabilities are matured within one year or at floating interest rates.

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

Haitong International Holdings Limited has transferred the entire issued share capital of Haitong UT Capital Group Co., Limited to Haitong Securities Co., Ltd. on August 17, 2023. Haitong UT Capital Group Co., Limited has been directly wholly owned by Haitong Securities Co., Ltd., and Haitong International Holdings Limited has ceased to be an indirect controlling shareholder of the Company.