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CHINA DEVELOPMENT BANK LEASING

國銀金融租賃股份有限公司*

CHINA DEVELOPMENT BANK FINANCIAL LEASING CO., LTD.*

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

(Stock Code: 1606)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2019

The Board of China Development Bank Financial Leasing Co., Ltd. hereby announces the audited consolidated results of the Company and its subsidiaries for the year ended December 31, 2019 together with the comparative figures for the corresponding period in 2018, which should be read in conjunction with the following management discussion and analysis.

* CHINA DEVELOPMENT BANK FINANCIAL LEASING CO., LTD. is (a) not an authorized institution within the meaning of the Banking Ordinance; (b) not authorized to carry on banking/deposit-taking business in Hong Kong; and (c) not subject to the supervision of the Hong Kong Monetary Authority.

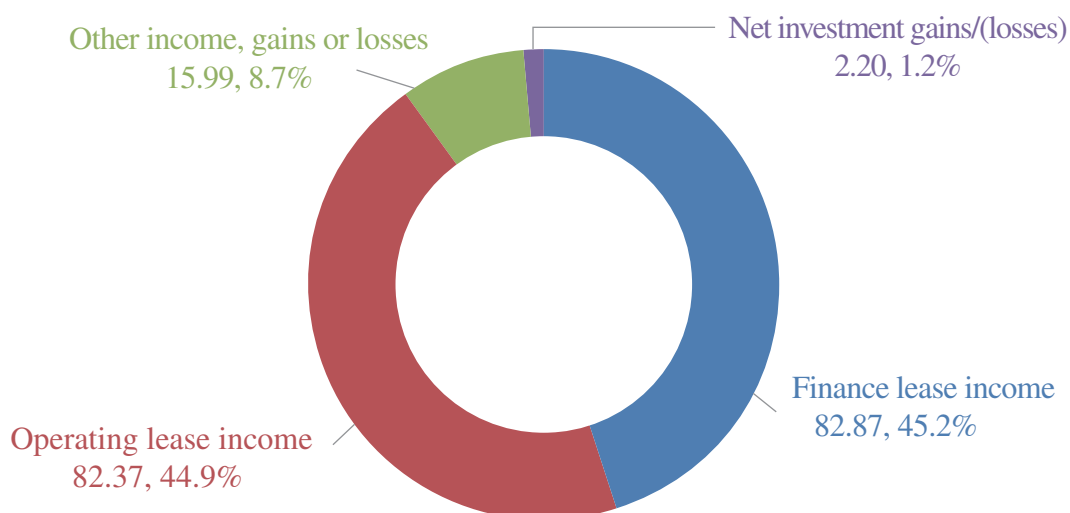
FINANCIAL HIGHLIGHTS

1. SUMMARY OF CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(RMB in thousands)	For the year ended December 31,				
	2019	2018	2017	2016	2015
Finance lease income	8,287,442	7,036,316	5,784,289	5,363,827	5,994,754
Operating lease income	8,236,710	6,584,804	6,016,001	5,453,157	4,646,164
Total revenue	16,524,152	13,621,120	11,800,290	10,816,984	10,640,918
Net investment gains/(losses)	220,355	211,662	176,160	(52,359)	77,209
Other income, gains or losses	1,598,730	1,708,528	338,272	676,180	263,162
Total revenue and other income	18,343,237	15,541,310	12,314,722	11,440,805	10,981,289
Total expenses	(14,350,476)	(12,267,089)	(9,506,870)	(9,373,074)	(9,681,663)
Of which: Depreciation and amortisation	(3,738,448)	(2,989,253)	(2,701,887)	(2,476,525)	(2,034,732)
Interest expense	(7,167,284)	(6,863,247)	(4,984,470)	(4,400,071)	(5,055,233)
Impairment losses	(2,037,187)	(1,293,092)	(912,918)	(1,825,773)	(2,008,170)
Profit before income tax	3,992,761	3,274,221	2,807,852	2,067,731	1,299,626
Profit for the year	2,938,125	2,506,984	2,130,963	1,561,339	1,052,506
Earnings per share (RMB Yuan)					
– Basic and diluted	0.23	0.20	0.17	0.14	0.11

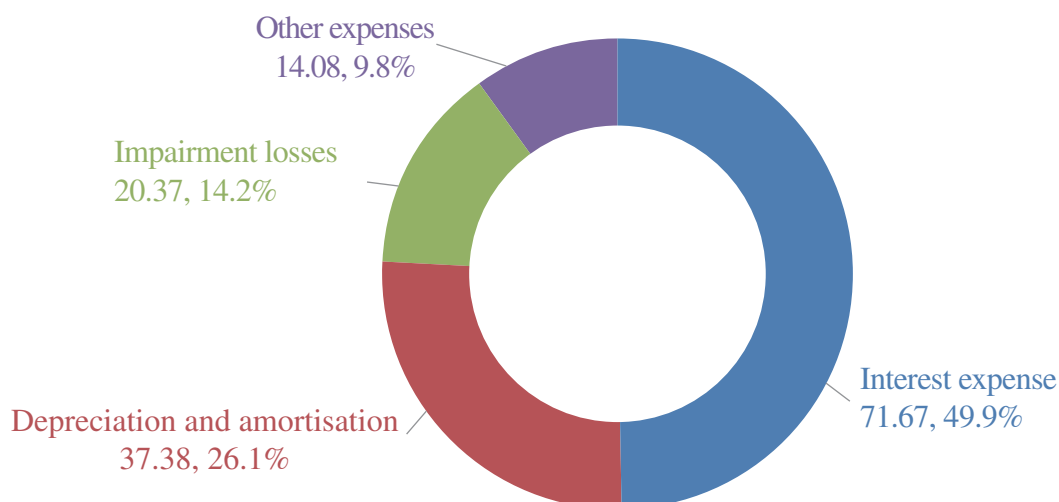
In 2019, finance lease income accounted for 45.2% of the income of the Group, representing a year-on-year decrease of 0.1 percentage point; operating lease income accounted for 44.9%, representing a year-on-year increase of 2.5 percentage points; other income, gains or losses accounted for 8.7%, representing a year-on-year decrease of 2.3 percentage points; and net investment gains/(losses) accounted for 1.2%, representing a year-on-year decrease of 0.2 percentage point.

Breakdown of Operating Income
(Unit: RMB 00'million, Percentage)



In 2019, interest expense accounted for 49.9% of the operating expenses of the Group, representing a year-on-year decrease of 6 percentage points; depreciation and amortization accounted for 26.1%, representing a year-on-year increase of 1.7 percentage points; impairment losses accounted for 14.2%, representing a year-on-year increase of 3.7 percentage points; and other expenses accounted for 9.8%, representing a year-on-year increase of 0.6 percentage point.

Breakdown of Operating Expenses
(Unit: RMB 00'million, Percentage)



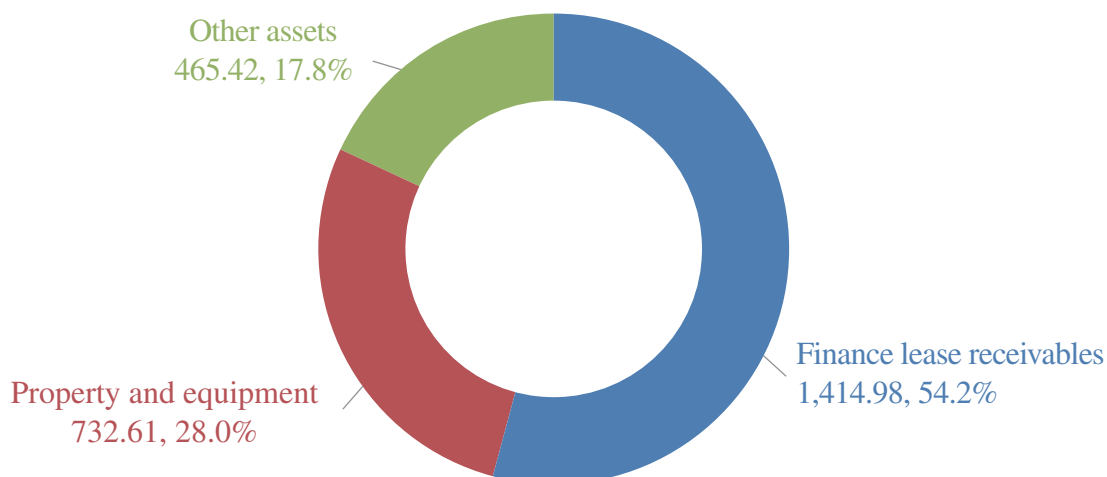
2. SUMMARY OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>(RMB in thousands)</i>	As at December 31,				
	2019	2018	2017	2016	2015
Total assets	<u>261,300,668</u>	<u>238,066,986</u>	<u>187,099,272</u>	<u>166,512,149</u>	<u>155,695,092</u>
Of which: Cash and bank balances	21,528,292	23,497,845	16,207,073	9,336,415	6,313,850
Accounts receivable	2,168,454	5,405,652	6,610,039	6,841,777	13,827,135
Finance lease receivables	141,498,088	125,141,605	98,880,563	88,464,050	80,945,115
Prepayments	14,820,598	12,332,839	7,530,238	7,911,502	6,862,803
Property and equipment	73,260,791	63,038,585	49,532,281	47,344,054	42,248,688
Total liabilities	<u>235,631,426</u>	<u>213,863,956</u>	<u>163,590,303</u>	<u>144,210,475</u>	<u>140,702,176</u>
Of which: Borrowings	174,135,636	157,186,898	116,245,105	106,198,168	102,494,469
Bonds payable	42,811,268	38,596,346	32,326,713	17,793,886	13,834,811
Total equity	<u>25,669,242</u>	<u>24,203,030</u>	<u>23,508,969</u>	<u>22,301,674</u>	<u>14,992,916</u>
Net assets per share <i>(RMB Yuan)</i>	<u>2.03</u>	<u>1.91</u>	<u>1.86</u>	<u>1.76</u>	<u>1.58</u>

As at December 31, 2019, finance lease receivables accounted for 54.2% of the total assets of the Group, representing an increase of 1.6 percentage points as compared with that in 2018; property and equipment accounted for 28.0%, representing an increase of 1.5 percentage points as compared with that in 2018; and other assets accounted for 17.8%, representing a decrease of 3.1 percentage points as compared with that in 2018.

Breakdown of Net Book Value of the Total Assets

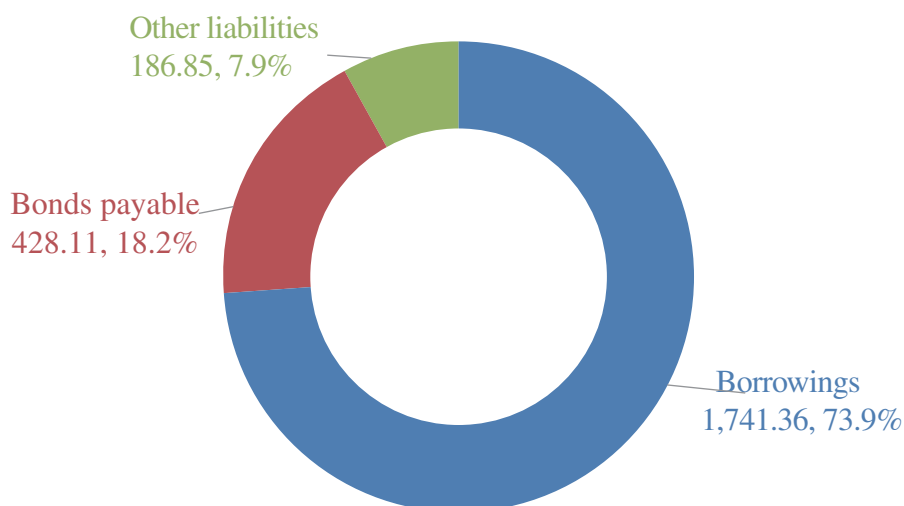
(Unit: RMB 00'million, Percentage)



As at December 31, 2019, borrowings accounted for 73.9% of the total liabilities of the Group, representing an increase of 0.4 percentage point as compared with that in 2018; bonds payable accounted for 18.2%, representing an increase of 0.2 percentage point as compared with that in 2018; and other liabilities accounted for 7.9%, representing a decrease of 0.6 percentage point as compared with that in 2018.

Breakdown of Net Book Value of the Total Liabilities

(Unit: RMB 00'million, Percentage)



3. SELECTED FINANCIAL RATIOS

	For the year ended December 31, /As at December 31,				
	2019	2018	2017	2016	2015
Return on average total assets ⁽¹⁾	1.18%	1.18%	1.21%	0.97%	0.71%
Return on average equity ⁽²⁾	11.78%	10.73%	9.30%	8.44%	7.26%
Cost-to-income ratio ⁽³⁾	8.19%	6.99%	7.08%	5.76%	5.05%
Net profit margin before tax and impairment losses ⁽⁴⁾	36.49%	33.53%	31.53%	35.99%	31.09%
Net profit margin ⁽⁵⁾	17.78%	18.41%	18.06%	14.43%	9.89%
Non-performing asset ratio ⁽⁶⁾	0.89%	0.89%	0.78%	0.98%	1.39%
Non-performing asset ratio of finance lease business ⁽⁷⁾	1.58%	1.56%	1.31%	1.63%	2.21%
Gearing ratio ⁽⁸⁾	7.61x	7.15x	5.72x	5.46x	8.03x
Credit ratings					
Standard & Poor's	A	A	A	A+	A+
Moody's	A1	A1	A1	Aa3	A1
Fitch	A+	A+	A+	A+	A+

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

(2) Calculated by dividing net profit for the year by weighted average balance of total Shareholders' equity during the year.

(3) Calculated by dividing the sum of the depreciation and amortisation expenses of property and equipment held for administrative purposes, staff costs and other operating expenses by total revenue and other income.

(4) Calculated by dividing profit before tax and impairment losses for the year by the total revenue for the year.

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

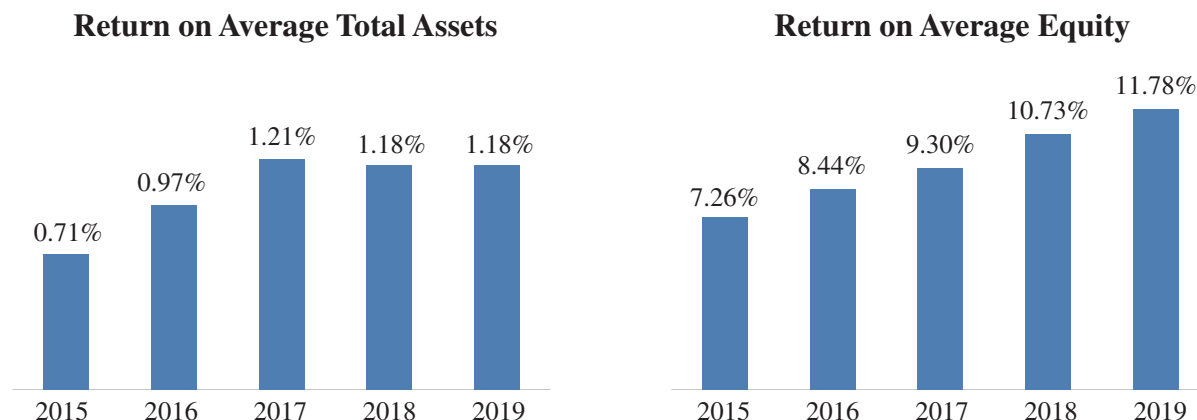
(6) Calculated based on the percentage of non-performing assets over total assets before allowance for impairment losses as of the dates indicated.

(7) Calculated based on the percentage of non-performing finance lease related assets over finance lease related assets before allowance for impairment losses as of the dates indicated.

(8) Calculated by dividing net debt by total equity. Net debt is defined as total debt less cash and cash equivalents. Total debt comprises borrowings, due to banks and other financial institutions, financial assets sold under repurchase agreements and bonds payable.

In 2019, the return on average assets of the Group was the same as that of 2018, which reflected that our high-quality development has consolidated fundamentals for profit making despite the economic downward pressure.

The return on average equity of the Group has experienced the trend of steady rise since 2015, reflecting continuous improvement of ability in creating value for the Shareholders by the Company.



The following table sets forth, as at the dates indicated, information relating to certain regulatory indicators, calculated in accordance with the requirements of the CBIRC and applicable accounting standards.

		As at December 31,				
	Regulatory requirement	2019	2018	2017	2016	2015
Capital adequacy indicators ⁽¹⁾						
Core tier-one capital adequacy ratio ⁽²⁾	≥7.5% ⁽³⁾	10.51%	10.72%	13.19%	13.42%	9.54%
Tier-one capital adequacy ratio ⁽⁴⁾	≥8.5% ⁽³⁾	10.51%	10.72%	13.19%	13.42%	9.54%
Capital adequacy ratio ⁽⁵⁾	≥10.5% ⁽³⁾	11.69%	11.91%	14.10%	14.03%	10.23%
Asset quality indicators						
Allowance for non-performing finance lease related assets ⁽⁶⁾	≥150% ⁽³⁾	269.61%	253.12%	215.15%	164.28%	150.47%

⁽¹⁾ Calculated based on the Capital Administrative Measures (《資本管理辦法》) published by the CBIRC on June 7, 2012, which became effective on January 1, 2013 and replaced the Administrative Measures for Capital Adequacy (《資本充足辦法》).

⁽²⁾ Calculated by dividing core tier-one capital, net of core tier-one capital deductions, by risk-weighted assets.

⁽³⁾ Indicator requirements to be met by the end of 2018.

⁽⁴⁾ Calculated by dividing tier-one capital, net of tier-one capital deductions, by risk-weighted assets.

⁽⁵⁾ Calculated by dividing total capital, net of capital deductions, by risk-weighted assets.

⁽⁶⁾ Calculated by dividing allowance for impairment losses on finance lease related assets by non-performing finance lease related assets.

MANAGEMENT DISCUSSION AND ANALYSIS

1. BUSINESS SITUATION AND COMPANY'S RESPONSES

1.1 Business Environment

1.1.1 Macro-Economy

In 2019, economic growth hit the lowest level since the 2008 financial crisis as global trade frictions lingered continuously, and manufacturing industry suffered substantial impact and factors such as Brexit and rising geopolitical risks led to increased market uncertainty. In response to the downward pressure on the economy, major global economies cut interest rates and implemented loose monetary policies again. China's overall economic growth was stable with the GDP of RMB99,086.5 billion, representing an increase of 6.1% as compared with that of the last year. The economy of China showed strong development resilience with its contribution to the global economic growth of approximately 30%, GDP per capita exceeding US\$10,000 for the first time, import and export maintaining positive growth and various economic development indicators basically in line with expectations. The concerned Sino-US economic and trade consultations made positive progress after several rounds of negotiations.

China continues to implement sound monetary policies by using a variety of policies, reducing deposit reserve ratios in a timely manner, to continue to increase its support for the real economy and make the channels for the transmission of liquidity to the real economy smoother. The growth rates of broad money M2 and narrow money M1 both rebounded. The balances of M2 and M1 were RMB198.65 trillion and RMB57.6 trillion, representing a year-on-year increase of 8.7% and 4.4% respectively. The Aggregation Financing to the Real Economy (AFRE) was RMB25.58 trillion, representing a year-on-year increase of RMB3.08 trillion, the structure of which was further optimized. RMB loans increased by RMB16.81 trillion, representing a year-on-year increase of RMB643.9 billion with the difficulties faced by small and micro enterprises in accessing affordable financing further improved.

1.1.2 Industry Environment

In 2019, the development of leasing industry was steady as a whole with continued unified supervision, and the development consensus of going back to the fundamental purpose of leasing and focusing on the main business reached by was made by leasing companies. As of the end of September 2019, the total number of financial leasing companies nationwide was approximately 12,073, representing an increase of 296 or 2.5%, as compared with that of the end of last year; the total registered capital of financial leasing companies nationwide was approximately RMB3,330.9 billion, representing an increase of RMB54.7 billion or 1.6%, as compared with that of the end of last year. As of December 31, 2019, the number of financial lease companies across China was 70, representing an increase of 1 company as compared with that as at the end of the previous year. The total registered capital of such financial lease companies amounted to approximately RMB224.021 billion, representing an increase of RMB9,728 million or 4.2% as compared with that as at the end of the previous year. The development of the industry has stabilized.

With the continuous optimization of local business environments and the deepening of the free trade zones, the leasing industry is still in a period of good opportunities for development; relevant laws and regulations have been further clarified and refined and customs, foreign exchange and other policies related to leasing business have been continuously improved. In addition, on-site inspections of leasing companies have been successively carried out in various regions of the country to clean up and rectify shell companies and malpractice companies, which will help promote the stable and sustainable development of the industry in the long run.

1.2 Company's Responses

In 2019, facing the complex and fast-changing external situation, the Group continued to focus on the “market-oriented, professional, diversified and international” strategies to continuously strengthen professional capability, dedicate itself to customers in key regions and key industries, continue to improve its business operation mechanism, enhance the rapid response capability and market competitiveness, and realize the steady improvement of operating results.

In terms of business development, the infrastructure leasing of the Company focused on key fields and key customers, refined the review and approval mechanism, improved the results and effectiveness of business development, and strongly supported the development of the Yangtze River Economic Belt, Guangdong-Hong Kong-Macao Greater Bay Area, Chengdu-Chongqing Economic Zone and other national key areas and fields. The aircraft leasing of the Company further strengthened the management team, and improved the management system to improve business decision-making efficiency. The Company has propelled the development of its ships, inclusive finance and new energy and equipment business departments, and solidified and improved its capabilities to achieve professional development. The ship leasing business department has improved its development plan to focus on high-quality clients in the industry and mainstream ships, expanded market on a steady pace and strived to create a new profit growth point for the Company. The inclusive finance business has deepened its cooperation with leading companies in the industry and strengthened its system construction and asset operation management, and with these efforts, its development foundation has been continuously consolidated. The new energy and equipment leasing business kept tracing the industrial development and tendencies and has strengthened its innovative research on models to implement the development requirements of green finance.

In terms of asset trading, we established a variety of asset trading models such as portfolio acquisition, remnant assets transfer, incremental factoring, and small and micro portfolio transfer by constantly improving the cooperation network, deepening cooperation with institutions in the industry, and enriching the variety of trading to effectively increase the market influence of the Group with the asset structure optimized and profitability improved at the same time. Asset trading has become one of the three pillars of the Group's business development.

In terms of market financing, the Group strengthened the funding management. On one hand, the Group actively expanded financing channels and innovated financing methods and financing tools; on the other hand, the Group steadily expanded credit lines, continuously optimized the maturity structure, tracked and analyzed market change trends and improved financing management initiatives. The financing costs of the reporting currency and foreign currencies were effectively controlled throughout the year.

In terms of internal management, we optimized the operation management system, strengthened research and analysis, customer management and process management to make up for weak lines. We strengthened comprehensive budget management and capital management, promoted the establishment of management accounting system to improve the Company's refined management capabilities.

In terms of risk prevention and control and compliance management, we continued to improve the comprehensive risk management system, strengthened risk management and control capacity, accelerated the disposal of non-performing assets to accelerate the clearing of existing risks and keep the quality of the Company's lease assets stable. We strengthened compliance operation and promoted the construction of compliance culture to constantly improve the internal control and compliance system.

2. FINANCIAL REVIEW

2.1 Analysis of Consolidated Statement of Profit and Loss

2.1.1 Overview of Consolidated Statement of Profit and Loss

In 2019, the Group maintained a steady increase in results, with its total revenue and other income amounting to RMB18,343.2 million, representing an increase of RMB2,801.9 million or 18.0%, as compared with that of last year. Profit for the year amounted to RMB2,938.1 million, representing an increase of RMB431.1 million or 17.2%, as compared with that of last year, due primarily to the growth in total leased assets resulting from the increase in financing to lessees and a high growth rate in leasing income; the steady increase in yield of finance lease assets and the decrease in the financing cost of RMB.

The following table sets forth the consolidated statement of profit and loss of the Group for the years indicated and the changes:

<i>(RMB in millions, except percentages)</i>	For the year ended		Change
	December 31,	2018	
	2019		
Revenue			
Finance lease income	8,287.4	7,036.3	17.8%
Operating lease income	8,236.7	6,584.8	25.1%
Total revenue	16,524.1	13,621.1	21.3%
Net investment gains/(losses)	220.4	211.7	4.1%
Other income, gains or losses	1,598.7	1,708.5	(6.4%)
Total revenue and other income	18,343.2	15,541.3	18.0%
Depreciation and amortisation	(3,738.4)	(2,989.3)	25.1%
Staff costs	(561.9)	(508.9)	10.4%
Fee and commission expenses	(53.9)	(74.6)	(27.7%)
Interest expense	(7,167.3)	(6,863.2)	4.4%
Other operating expenses	(791.8)	(538.0)	47.2%
Impairment losses	(2,037.2)	(1,293.1)	57.5%
Total expenses	(14,350.5)	(12,267.1)	17.0%
Profit before income tax	3,992.7	3,274.2	21.9%
Income tax expense	(1,054.6)	(767.2)	37.5%
Profit for the year	2,938.1	2,507.0	17.2%

2.1.2 Total Revenue

Revenue of the Group was primarily derived from finance lease income and operating lease income. In 2019, the total revenue of the Group amounted to RMB16,524.1 million, representing an increase of RMB2,903.0 million or 21.3% as compared with that of last year, due primarily to the continuous growth in business scale arising from the increasing investment in leased assets and steady increase in yield of finance lease assets.

2.1.2.1 Finance Lease Income

The following table sets forth the finance lease income of the Group's four business segments and others for the years indicated:

(RMB in millions, except percentages)	For the year ended		
	December 31, 2019	2018	Change
Finance lease income			
Aircraft Leasing	125.2	202.3	(38.1%)
Infrastructure Leasing	5,428.1	4,579.2	18.5%
Ship Leasing	869.7	711.5	22.2%
Inclusive Finance	1,235.6	910.2	35.8%
Others	628.8	633.1	(0.7%)
Total	8,287.4	7,036.3	17.8%

In 2019, finance lease income of the Group amounted to RMB8,287.4 million, accounting for 50.2% of total revenue and representing an increase of RMB1,251.1 million, or 17.8% as compared with that of last year, due primarily to the increase in income from finance lease projects of Infrastructure, Ship and Inclusive Finance.

With respect to Aircraft Leasing, in 2019, finance lease income from this segment of the Group amounted to RMB125.2 million, representing a decrease of RMB77.1 million, or 38.1% as compared with that of last year, due primarily to the decrease in the scale of finance lease business resulting from the Group's focus on the development of operating lease business of the aircraft segment in 2019.

With respect to Infrastructure Leasing, in 2019, finance lease income from this segment of the Group amounted to RMB5,428.1 million, representing an increase of RMB848.9 million, or 18.5% as compared with that of last year, due primarily to an increase in lease financing to lessees in the infrastructure leasing business throughout the year and an increase in yield of finance lease assets.

With respect to Ship Leasing, in 2019, finance lease income from this segment of the Group amounted to RMB869.7 million, representing an increase of RMB158.2 million, or 22.2% as compared with that of last year, due primarily to an increase in lease financing to lessees in the shipping business and an increase in yield of finance lease assets.

With respect to Inclusive Finance, in 2019, finance lease income from this segment of the Group amounted to RMB1,235.6 million, representing an increase of RMB325.4 million, or 35.8% as compared with that of last year, due primarily to an increase in lease financing to lessees in the inclusive finance segment and an increase in yield of finance lease assets.

With respect to Others, in 2019, finance lease income from this segment of the Group amounted to RMB628.8 million, representing a decrease of RMB4.3 million, or 0.7% as compared with that of last year, due primarily to the Group's proactive control over other finance lease business.

2.1.2.2 Operating Lease Income

The following table sets forth the operating lease income of the Group's four business segments and others for the years indicated:

<i>(RMB in millions, except percentages)</i>	For the year ended		Change
	December 31,		
	2019	2018	
Operating lease income			
Aircraft Leasing	7,264.4	6,049.2	20.1%
Infrastructure Leasing	39.2	53.7	(27.0%)
Ship Leasing	755.3	324.3	132.9%
Inclusive Finance	—	—	—
Others	177.8	157.6	12.8%
Total	8,236.7	6,584.8	25.1%

In 2019, operating lease income of the Group amounted to RMB8,236.7 million, accounting for 49.8% of its total revenue and representing an increase of RMB1,651.9 million, or 25.1% as compared with that of last year, due primarily to the steady expansion of the scale of aircraft operating lease and an increase in the number of shipping fleet for operating lease due to an increase in investment in ships.

The operating lease income of the Group is mainly derived from aircraft operating lease business. In 2019, operating lease income generated from Aircraft Leasing amounted to RMB7,264.4 million, accounting for 88.2% of the total operating lease income. Meanwhile, the Group proactively explored the operating lease for ships, which contributed to the substantial increase in operating lease income from Ship Leasing, recording revenue of operating lease of RMB755.3 million for the year, representing an increase of 132.9% than that of last year.

2.1.2.3 Net Investment Gains/(losses)

In 2019, net investment gains of the Group amounted to RMB220.4 million, representing an increase of RMB8.7 million as compared with that of last year, due primarily to the increase in the Group's finance lease asset transfer income in 2019.

2.1.2.4 Other Income, Gains or Losses

In 2019, other income and gains of the Group amounted to RMB1,598.7 million, representing a decrease of RMB109.8 million as compared with that of last year, due primarily to the decrease in income from disposal of aircraft assets and income from financial subsidies.

2.1.3 Cost and Expenses

In 2019, total expenses of the Group amounted to RMB14,350.5 million, representing an increase of RMB2,083.4 million, or 17.0% as compared with that of last year, due primarily to an increase in impairment losses, depreciation and amortisation, interest expense, and other operating expenses.

2.1.3.1 Depreciation and Amortisation

In 2019, depreciation and amortisation expenses of the Group amounted to RMB3,738.4 million, representing an increase of RMB749.1 million, or 25.1% as compared with that of last year, due primarily to an increase in operating lease assets, in particular those for Aircraft Leasing and Ship Leasing. The number of our owned aircraft held for operating lease increased from 203 as of the end of 2018 to 223 as of the end of 2019. The number of ships for operating lease increased from 29 as of the end of 2018 to 55 as of the end of 2019.

2.1.3.2 Staff Costs

In 2019, staff costs of the Group amounted to RMB561.9 million, representing an increase of RMB53.0 million, or 10.4% as compared with that of last year. The increase was mainly because the Group strengthened the high-level talents reserve and construction of professional team, and intensified the incentive and restriction mechanism in order to better implement the development strategies of the Company and enhance the market competitiveness. As a result, the Group expanded the size of its professional team, strengthened the strategic layout of its aviation segment, further introduced and expanded its international and professional aeronautical team and established a more market-oriented remuneration and incentive system.

2.1.3.3 Fee and Commission Expenses

In 2019, fee and commission expenses of the Group amounted to RMB53.9 million, representing a decrease of RMB20.7 million as compared with that of last year, due primarily to the decrease in project supervision expense.

2.1.3.4 Interest Expense

In 2019, interest expense of the Group amounted to RMB7,167.3 million, representing an increase of RMB304.1 million, or 4.4% as compared with that of last year, due primarily to the corresponding increase in the interest expense as a result of the growth in the overall financing scale along with the expansion of business scale.

2.1.3.5 Other Operating Expenses

In 2019, other operating expenses of the Group amounted to RMB791.8 million, representing an increase of RMB253.8 million, or 47.2% as compared with that of last year, due primarily to the increase in related business and management expenses resulting from the expansion of business scale.

2.1.3.6 Impairment Losses

In 2019, impairment losses of the Group amounted to RMB2,037.2 million, representing an increase of RMB744.1 million, or 57.5% as compared with that of last year, due primarily to the increase in investment in leased assets, adjustment to the rating of certain projects and the impact of changes in macro economic environment on forward-looking elements of the system.

2.1.4 Profit before Income Tax

In 2019, profit before income tax of the Group amounted to RMB3,992.7 million, representing an increase of RMB718.5 million, or 21.9% as compared with that of last year, due primarily to the increase in lease income, the decrease in financing cost ratio in RMB, and the increase in income arising from tax and expense reduction.

2.1.5 Income Tax Expense

In 2019, income tax expense of the Group amounted to RMB1,054.6 million, representing an increase of RMB287.4 million, or 37.5% as compared with that of last year, due primarily to an increase in profit before income tax.

2.1.6 Profit for the Year

In 2019, profit for the year of the Group amounted to RMB2,938.1 million, representing an increase of RMB431.1 million, or 17.2% as compared with that of last year.

2.2 Analysis on the Consolidated Statement of Financial Position

The following table sets forth the consolidated statement of financial position of the Group as of the dates indicated and the changes:

(RMB in millions, except percentages)	As of December 31,		Change
	2019	2018	
Assets			
Cash and bank balances	21,528.3	23,497.8	(8.4%)
Placement to banks and other financial institutions	–	500.0	(100.0%)
Financial assets at fair value through profit or loss	148.8	1,919.1	(92.2%)
Derivative financial assets	32.4	36.9	(12.2%)
Accounts receivable	2,168.5	5,405.7	(59.9%)
Finance lease receivables	141,498.1	125,141.6	13.1%
Prepayments	14,820.6	12,332.8	20.2%
Financial assets at fair value through other comprehensive income	–	495.7	(100.0%)
Assets held-for-sale	1,585.8	1,325.0	19.7%
Investment properties	990.4	1,075.3	(7.9%)
Property and equipment	73,260.8	63,038.6	16.2%
Deferred tax assets	1,428.9	1,088.2	31.3%
Right-of-use assets	604.5	–	100.0%
Other assets	3,233.6	2,210.3	46.3%
Total assets	261,300.7	238,067.0	9.8%
Liabilities			
Borrowings	174,135.6	157,186.9	10.8%
Financial assets sold under repurchase agreements	–	880.0	(100.0%)
Derivative financial liabilities	789.2	282.7	179.2%
Accrued staff costs	304.0	249.9	21.6%
Tax payable	576.6	440.6	30.9%
Bonds payable	42,811.3	38,596.3	10.9%
Deferred tax liabilities	827.3	614.1	34.7%
Lease liabilities	626.5	–	100.0%
Other liabilities	15,560.9	15,613.5	(0.3%)
Total liabilities	235,631.4	213,864.0	10.2%
Total equity	25,669.3	24,203.0	6.1%

2.2.1 Total Assets

The principal components of the Group's assets were cash and bank balances, accounts receivable, finance lease receivables, prepayments and property and equipment, collectively representing 96.9% of the Group's total assets as of December 31, 2019. As of December 31, 2019, total assets of the Group amounted to RMB261,300.7 million, representing an increase of RMB23,233.7 million, or 9.8% as compared with that as of the end of last year. Such increase was due primarily to the Group's increased efforts in asset recovery and transfer and maintaining a large amount of investment, assuring the steady growth in assets.

2.2.1.1 Accounts Receivable

The Group's accounts receivable includes operating lease receivables, advances for finance lease projects and other accounts receivable. Operating lease receivables refer to the operating lease rentals receivable provided as of December 31, 2019, advances for finance lease projects refer to the payments in advance for those finance lease projects which were contracted but had not yet met all leasing conditions, and other accounts receivable refers to the accounts receivable incurred by the sale of leased assets. As of December 31, 2019, accounts receivable of the Group amounted to RMB2,168.5 million, representing a decrease of RMB3,237.2 million, or 59.9% as compared with that as of the end of last year, due primarily to the recovery of advances for certain finance lease projects.

2.2.1.2 Finance Lease Receivables

<i>(RMB in millions, except percentages)</i>	As of December 31,		
	2019	2018	Change
Finance lease receivables – gross	180,161.3	159,252.6	13.1%
Less: Unearned finance income	(33,007.7)	(29,435.5)	12.1%
Finance lease receivables – net	147,153.6	129,817.1	13.4%
Less: Allowance for impairment losses	<u>(5,655.5)</u>	<u>(4,675.5)</u>	<u>21.0%</u>
Finance lease receivables – carrying value	<u>141,498.1</u>	<u>125,141.6</u>	<u>13.1%</u>

As of December 31, 2019, finance lease receivables of the Group amounted to RMB141,498.1 million, representing an increase of RMB16,356.5 million, or 13.1% as compared with that as of the end of last year, due primarily to the continuous increase in business scale arising from an increase in investment of finance lease business of the Group.

2.2.1.3 Prepayments

As of December 31, 2019, prepayments of the Group amounted to RMB14,820.6 million, representing an increase of RMB2,487.8 million, or 20.2% as compared with that as of the end of last year, due primarily to the greater emphasis laid by the Group on the development of ship and aircraft business and increased investment in building new vessel and aircraft.

2.2.1.4 Property and Equipment

Property and equipment were composed of equipment held for operating lease and property and equipment held for administrative purpose. As of December 31, 2019, equipment held for operating lease of the Group amounted to RMB72,360.7 million, representing an increase of RMB10,243.0 million, or 16.5% as compared with that as of the end of last year, due primarily to the expansion of scale of aircraft and ships for operating lease.

As of December 31, 2019, property and equipment held for administrative purpose of the Group amounted to RMB900.1 million, representing a decrease of RMB20.8 million, or 2.3% as compared with that as of the end of last year, due primarily to the increase in the depreciation of property and equipment held for administrative purpose.

The following table sets forth the breakdown of its property and equipment of the Group as of the dates indicated:

<i>(RMB in millions, except percentages)</i>	As of December 31,		
	2019	2018	Change
Property and equipment			
Equipment held for operating lease	72,360.7	62,117.7	16.5%
Property and equipment held for administrative purpose	900.1	920.9	(2.3%)
Property and equipment – carrying value	73,260.8	63,038.6	16.2%

2.2.1.5 Cash and Bank Balances

As of December 31, 2019, cash and bank balances of the Group amounted to RMB21,528.3 million, representing a decrease of RMB1,969.5 million, or 8.4% as compared with that as of the end of last year, due primarily to enhanced management of liquidity and reduced liquidity reserves funds by the Group.

2.2.1.6 Other Assets

Other assets primarily included maintenance right assets, other receivables, prepaid expenses, deductible input value-added tax and land use rights. As of December 31, 2019, other assets of the Group amounted to RMB3,233.6 million, representing an increase of RMB1,023.3 million, or 46.3% as compared with that as of the end of last year, due primarily to an increase in maintenance right assets.

2.2.2 Leased Assets

The following table sets forth the breakdown of the Group's finance lease related assets as of the dates indicated:

<i>(RMB in millions, except percentages)</i>	As of December 31,		Change
	2019	2018	
Finance lease related assets			
Finance lease receivables	141,498.1	125,141.6	13.1%
Accounts receivable – advances for finance lease projects	<u>1,494.9</u>	<u>4,679.4</u>	<u>(68.1%)</u>
Total	<u>142,993.0</u>	<u>129,821.0</u>	<u>10.1%</u>

The following table sets forth the breakdown of the Group's operating lease assets as of the dates indicated:

<i>(RMB in millions, except percentages)</i>	As of December 31,		Change
	2019	2018	
Operating lease assets			
Investment properties	990.4	1,075.3	(7.9%)
Property and equipment – equipment held for operating lease	<u>72,360.7</u>	<u>62,117.7</u>	<u>16.5%</u>
Total	<u>73,351.1</u>	<u>63,193.0</u>	<u>16.1%</u>

Finance lease assets and operating lease assets of the Group represented a year-on-year increase of 10.1% and 16.1%, respectively. In 2019, the Group maintained significant investment in leasing and increased asset recovery and transfer. The balance of lease assets maintained steady growth as compared with that of last year.

2.2.3 Total Liabilities

As of December 31, 2019, total liabilities of the Group amounted to RMB235,631.4 million, representing an increase of RMB21,767.4 million, or 10.2% as compared with that as of the end of last year, due primarily to the growth in the scale of liabilities commensurate with that of assets and the increases in the balance of borrowings and bonds payable.

2.2.3.1 Borrowings

As of December 31, 2019, the balance of borrowings of the Group amounted to RMB174,135.6 million, representing an increase of RMB16,948.7 million, or 10.8% as compared with that as of the end of last year, due primarily to the increase in financing for development of business scale.

2.2.3.2 Bonds Payable

As of December 31, 2019, the balance of bonds payable of the Group amounted to RMB42,811.3 million, representing an increase of RMB4,215.0 million, or 10.9% as compared with that as of the end of last year, due primarily to the increase in financing for development of business scale.

2.2.3.3 Other Liabilities

As of December 31, 2019, the balance of other liabilities of the Group amounted to RMB15,560.9 million, representing a decrease of RMB52.6 million, or 0.3% as compared with that as of the end of last year.

2.3 Analysis on the Statement of Cash Flows

The following table sets forth the Group's statement of cash flows for the years indicated and the changes therein:

<i>(RMB in millions, except percentages)</i>	For the year ended		Change
	December 31,		
	2019	2018	
Net cash flows from operating activities	9,902.7	22,942.8	(56.8%)
Net cash flows from investing activities	(10,137.1)	(22,968.3)	(55.9%)
Net cash flows from financing activities	1,080.7	2,833.5	(61.9%)
Net increase in cash and cash equivalents	846.3	2,808.0	(69.9%)

In 2019, net cash inflow from operating activities of the Group amounted to RMB9,902.7 million, representing a decrease of 56.8% as compared with that of last year, due primarily to the decrease in net cash inflow as borrowings of the Group in 2019 recorded a less increase amount as compared with that of 2018. For the same period, net cash outflow from investing activities of the Group amounted to RMB10,137.1 million, representing a decrease of 55.9% as compared with that of last year, due primarily to (1) the decrease in cash outflow from the purchase of financial assets; (2) the decrease in restricted bank deposits. Furthermore, in 2019, net cash inflow from financing activities of the Group amounted to RMB1,080.7 million, representing a decrease of 61.9% as compared with that of last year, due primarily to the increase in cash outflow as compared with that of 2018 for repayment of bonds payable by the Group.

3. BUSINESS OPERATION

The business segments of the Group consist of four leasing segments of Aircraft Leasing, Infrastructure Leasing, Ship Leasing and Inclusive Finance, and Others. The Group achieved a stable growth in business scale and revenue by accurately comprehending the economic situation and effectively and consistently implementing its development strategies. In 2019, the Group continued to focus on its two large segments, namely Aircraft Leasing and Infrastructure Leasing, as the core businesses, while actively carrying out Ship Leasing and Inclusive Finance and expanding Others in a prudent manner, thereby further optimizing its business layout. In 2019, the total lease financing to lessees amounted to RMB93.246 billion, among which the lease financing to lessees in Aircraft Leasing, Infrastructure Leasing, Ship Leasing, Inclusive Finance and Others were RMB16.447 billion, RMB42.649 billion, RMB9.604 billion, RMB15.732 billion and RMB8.814 billion, respectively.

The following table sets forth the assets of the Group's four business segments and others as of the dates indicated:

<i>(RMB in millions, except percentages)</i>	As of December 31,			
	2019		2018	
Segment assets	Amount	Percentage	Amount	Percentage
Aircraft Leasing	93,839.3	36.1%	88,370.1	37.3%
Infrastructure Leasing	100,713.3	38.7%	94,546.7	39.9%
Ship Leasing	27,247.1	10.5%	21,634.6	9.1%
Inclusive Finance	23,030.2	8.9%	21,342.2	9.0%
Others	15,041.8	5.8%	11,085.2	4.7%
Total	259,871.7	100.0%	236,978.8	100.0%

The following table sets forth the revenue and other income of the Group's four business segments and others for the years indicated:

<i>(RMB in millions, except percentages)</i> Segment revenue and other income	For the year ended December 31,			
	2019		2018	
	Amount	Percentage	Amount	Percentage
Aircraft Leasing	8,534.4	46.5%	7,585.2	48.8%
Infrastructure Leasing	5,776.2	31.5%	5,010.4	32.2%
Ship Leasing	1,949.5	10.7%	1,107.9	7.1%
Inclusive Finance	1,255.4	6.8%	990.3	6.4%
Others	827.7	4.5%	847.5	5.5%
Total	<u>18,343.2</u>	<u>100.0%</u>	<u>15,541.3</u>	<u>100.0%</u>

The following table sets forth the profit/(loss) before income tax of the Group's four business segments and others for the years indicated:

<i>(RMB in millions)</i> Segment profit/(loss) before income tax	For the year ended December 31,	
	2019	2018
	Amount	Amount
Aircraft Leasing	1,605.8	2,069.4
Infrastructure Leasing	1,728.7	881.8
Ship Leasing	362.4	128.3
Inclusive Finance	408.5	239.7
Others	(112.7)	(45.0)
Total	<u>3,992.7</u>	<u>3,274.2</u>

The following table sets forth the profit margin before income tax of the Group's four business segments and others for the years indicated:

	For the year ended December 31,	
	2019	2018
Segment profit margin before income tax⁽¹⁾		
Aircraft Leasing	21.73%	33.10%
Infrastructure Leasing	31.62%	19.03%
Ship Leasing	22.30%	12.38%
Inclusive Finance	33.06%	26.34%
Others	(13.97%)	(5.69%)

⁽¹⁾ Segment profit margin before income tax is calculated by dividing the segment profit before income tax by the segment leasing revenue. The leasing revenue includes finance lease income and operating lease income.

The following table sets forth the return on assets before income tax of the Group's four business segments and others for the years indicated:

	For the year ended December 31,	
	2019	2018
Segment return on assets before income tax⁽¹⁾		
Aircraft Leasing	1.76%	2.60%
Infrastructure Leasing	1.77%	1.03%
Ship Leasing	1.48%	0.72%
Inclusive Finance	1.84%	1.42%
Others	(0.86%)	(0.40%)

⁽¹⁾ Segment return on assets before income tax is calculated by dividing the segment profit before income tax by the average balance of segment assets at the beginning and the end of the Reporting Period.

3.1 Aircraft Leasing

The airline industry maintained steady growth in 2019 in the face of a number of global challenges, including a global economic growth slowdown, intensifying competition among airlines, ongoing geopolitical tensions, the grounding of Boeing 737 MAX aircraft, and continued OEM production and delivery delays. These factors are expected to continue to influence the industry into 2020 with the added significant challenge of the coronavirus which is already impacting global airline customers.

Air travel remains a vibrant market following the trend of the last several decades. A softer economic backdrop underpinned by weak global trade activity and geopolitical tensions took a toll on demand in 2019, marking the first year since the global financial crisis in 2009 with passenger demand below the long-term trend of around 5.5% annual growth¹. Notwithstanding, both Airbus and Boeing forecast traffic growth to continue to outpace world GDP growth, at rates between 4.5% to 5% for the next 20 years². The demand is expected to remain strong due to solid economic growth, growing middle classes, increasing consumer spending on services, and evolving airline business models.

The airline industry has now recorded a decade of steady and above-trend growth. Airlines are delivering strong financial results despite prevailing headwinds. Most of the leading airline groups retained healthy profit levels in 2019, with airlines cumulatively generating at least USD30 billion of net profits per year over the last several years. Full-year 2019 capacity climbed 3.4%, and the load factor rose 0.7 percentage point to a record high of 82.6%¹. Increasing load factors and aircraft utilization continue to be the key drivers of improvements in airline profitability, especially among low-cost operators.

The air travel market is expected to be 2.5 times larger in 20 years' time, and the global commercial jet fleet will continue to grow substantially, doubling in size to accommodate growth². More than 19,000 of the projected 44,000 new aircraft deliveries are expected to replace the existing fleet². Airlines will continue to add flying capacity to their networks in order to take advantage of growing demand, particularly in Asia Pacific. In addition, new generation aircraft with better fuel efficiency are enabling airlines to gain operational cost savings, while supporting environmental sustainability initiatives.

¹ International Air Transport Association (IATA) 2019 Passenger Traffic Results

² Boeing and Airbus Forecasts 2019

These factors continue to support the demand for leased aircraft and lessors will continue to play a vital role in providing airlines with access to capital funding. Competition from lessors and other investors remains heightened, though, as investors continue to be drawn to the aircraft leasing sector.

Amidst these market conditions, the Group has been able to leverage its aircraft leasing platform to deliver on its strategies. Aircraft leasing is one of the core business segments of the Group. In 2019, aircraft leasing business segment has still maintained growth amidst intensely competitive environment mainly benefited from the Group's advantage and scale in the aircraft leasing business, as well as its own business model and smooth cooperation with manufacturers and strong relationships with airlines and aircraft investors around the globe.

Major highlights for 2019 include:

- Signed lease transactions for 54 aircraft with 19 customers;
- Sold 20 aircraft and acquired 17 aircraft via portfolio acquisitions;
- Acquired 40 aircraft on operating lease (including 12 via direct OEM orders, 11 via sale-lease-back and 17 via portfolio acquisitions) , representing 19.7% growth by number of aircraft on operating lease in the fleet at the start of 2019;
- Signed financing transactions for USD2.49 billion; and
- Added 22 new airline customers.

As of December 31, 2019, the Group owned and managed a well-diversified portfolio of 233 delivered aircraft assets on lease to 68 lessees in 37 jurisdictions. As of December 31, 2019, total assets of the Aircraft Leasing segment of the Group amounted to RMB93,839.3 million, representing a year-on-year increase of 6.2% compared to December 31, 2018, and the total revenue and other income of the Aircraft Leasing segment amounted to RMB8,534.4 million, representing a year-on-year increase of 12.5%. The assets of the Aircraft Leasing segment accounted for 36.1% of the Group, representing a decrease of 1.2 percentage points compared to December 31, 2018. The revenue and other income of the Aircraft Leasing segment accounted for 46.5% of the Group, representing a decrease of 2.3 percentage points compared to last year.

As of December 31, 2019, the Group had a total portfolio of 420 aircraft, consisting of 228 owned aircraft, 5 managed aircraft and 187 committed aircraft. As of December 31, 2019, 223 owned aircraft of the Group were held for operating leases and 5 owned aircraft of the Group were under finance leases. As of December 31, 2019, the weighted average age by net book value of the Group's owned aircraft held for operating leases was 4.4 years, the weighted average remaining lease term by net book value of the Group's owned aircraft held for operating leases was 7.2 years.

The Group's owned and in-service fleet mainly includes narrow-body types such as Airbus A320 family and Boeing 737 NG family aircraft, and wide-body aircraft types such as the Airbus A330 and the Boeing 777-300ER. As of December 31, 2019, weighted by net book value, the aircraft fleet consists of 63% narrow-body aircraft, 32% wide-body aircraft and 5% regional and other aircraft. As of December 31, 2019, the net book value of the Group's owned aircraft was USD9,342.4 million.

The Group's orderbook contains next-generation, liquid, narrow-body types. As of December 31, 2019, the Group has committed to purchase 174 aircraft under its direct OEM orders, including 99 aircraft from Boeing and 75 aircraft from Airbus. These aircraft are scheduled to be delivered between 2020 and 2025. The Group also has contractual commitments to acquire a further 11 aircraft under sale and leaseback and 2 aircraft under portfolio acquisition transactions. The aggregate of these commitments net of predelivery payments paid is RMB58.3 billion.

The following table shows the composition of the Group's fleet and committed aircraft as of December 31, 2019:

Aircraft Type	Owned aircraft	Managed aircraft	Committed aircraft	Total
A319-100	7			7
A320-200	46			46
A321-200	13			13
A330-200	8			8
A330-300	25			25
A330-900	5		3	8
A350-900	1			1
A320neo	32		50	82
A321neo	8		31	39
Airbus Total	145	0	84	229

Aircraft Type	Owned aircraft	Managed aircraft	Committed aircraft	Total
737-700	2			2
737-800	56	3	2	61
777-300ER	2	2		4
737 Max 8	2		91	93
737 Max 10			10	10
Boeing Total	<u>62</u>	<u>5</u>	<u>103</u>	<u>170</u>
E190-100LR	20			20
Embraer Total	<u>20</u>	<u>0</u>	<u>0</u>	<u>20</u>
Other	<u>1</u>	<u>0</u>	<u>0</u>	<u>1</u>
Total	<u>228</u>	<u>5</u>	<u>187</u>	<u>420</u>

In the above table, three Boeing 737-800, one Other aircraft and one Airbus A330-200 aircraft were held under finance lease.

In addition to the above committed aircraft, the Group has 65 non-binding entitlements with other OEMs, consisting of 20 ARJ21 and 15 C919 aircraft from The Commercial Aircraft Corporation of China, Ltd., and 30 MA700 aircraft from AVIC Aircraft Co., Ltd.

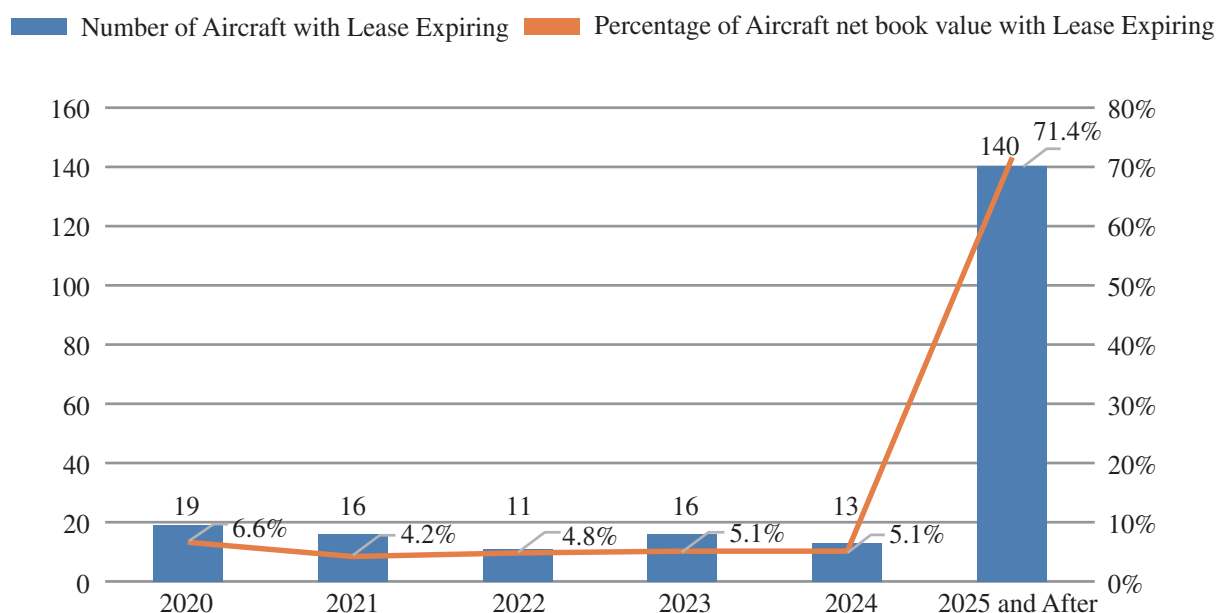
Among 187 aircraft committed as of December 31, 2019 (including direct OEM orders, sale-lease-backs and portfolio acquisitions), 28 are scheduled for delivery in 2020, 36 in 2021, 47 in 2022 and 76 after 2022.

As of December 31, 2019, of the 174 aircraft committed to be purchased directly from OEMs, 15 were committed for lease. All 15 new aircraft scheduled for delivery directly from OEMs in 2020 were committed to lease.

As of December 31, 2019, the Group was committed to sale-and-leaseback transactions covering 11 aircraft, which are scheduled for delivery in 2020; the Group was also committed to portfolio acquisitions covering two aircraft, which are scheduled for delivery in 2020.

The following chart shows the breakdown of the number of leases and percentage of net book value balance as of December 31, 2019 of those owned aircraft under operating lease with leases expiring in the future, excluding any aircraft for which the Group has a sale commitment. As of December 31, 2019, 11 of the 19 aircraft to expire in 2020 have agreements signed for lease transitions or extensions and additional two of these 19 aircraft had agreements signed in January 2020.

Number of Aircraft with Lease Expiring & Percentage of Aircraft net book value with Lease Expiring



During 2019, the Group signed lease extensions for six aircraft and new leases for 24 remarketed aircraft. As of December 31, 2019, all four aircraft that were subject to an early termination agreement with Jet Airways (India) Limited have been successfully remarketed to new lessees, thus all owned and managed aircraft were committed to lease as at that date.

The Group continued to trade aircraft during 2019, selling 20 aircraft in total with a gain on disposal of USD68.3 million and a total net book value of USD740.1 million. In 2019, the lease of 18 aircraft under finance lease were expired or terminated early. The Group's owned aircraft under operating lease maintained 99.3% fleet utilization.

In 2019, the net lease yield of the operating leased aircraft was 8.2%³; the lease yield of the finance leased aircraft was 8.0%⁴. In 2019, the pre-tax return on Aircraft Leasing assets was 1.8%, a decrease of 0.8 percentage point from 2.6% in full year 2018.

The following table sets forth a breakdown of the Group's revenue and assets of Aircraft Leasing by region of lessee for 2019:

Region	Percentage of lease revenue for 2019	Percentage of net book value as of December 31, 2019
The PRC	52.7%	43.0%
Asia Pacific (excluding the PRC)	20.1%	23.2%
Europe	15.7%	21.5%
Americas	5.0%	6.0%
Middle East	3.4%	3.1%
Africa	3.1%	3.2%
Total	100.0%	100.0%

The following table provides a breakdown of the Group's owned aircraft by manufacturer as of December 31, 2019:

Manufacturer	Percentage by net book value as of December 31, 2019
Airbus	71.6%
Boeing	23.9%
Others	4.5%
Total	100.0%

³ The calculation is net lease income/average monthly balance of operating lease assets. Net lease income is defined as the difference between operating lease income and interest expense of the operating lease business.

⁴ The calculation is lease income/average monthly balance of aircraft finance lease assets.

3.2 *Infrastructure Leasing*

The Group had established a relatively mature business model for the Infrastructure Leasing segment, accumulated extensive business experience and gradually enhanced business scale and profitability. In 2019, the investments in fixed assets and infrastructure of China recorded a year-on-year growth of 5.4% and 3.8%, respectively. The Group focused on the key regions, key areas and weak links and captured the development opportunities brought by the policy of remedy weak links in infrastructure facilities, resulting in a lease financing to new lessees for the year of RMB42,648.7 million, which reached a record. As of December 31, 2019, the total assets of the Infrastructure Leasing segment of the Group amounted to RMB100,713.3 million, representing an increase of RMB6,166.6 million, or 6.5%, as compared with that as of the end of last year. In 2019, such business segment realized revenue and other income of RMB5,776.2 million, representing an increase of RMB765.8 million, or 15.3%, as compared with that of last year.

The majority of the Infrastructure Leasing business of the Group was under finance lease, while a minority was under operating lease, and the overall asset quality was good. The finance leasing mode of Infrastructure Leasing of the Group is carried out primarily through sale-and-leaseback model, which effectively helps enterprises activate the existing assets.

Infrastructure Leasing business comprises Transportation Infrastructure Leasing (toll roads, rail transit, etc.), Urban Infrastructure Leasing (urban utility facilities, social housing, etc.) and Energy Infrastructure Leasing (photovoltaic, wind power, traditional energy generating equipment and other generating equipment) as classified by the type of leased assets.

Transportation Infrastructure Leasing

Transportation Infrastructure Leasing business primarily comprises the leasing of toll roads and rail transit equipment. In order to obtain stable leasing income, the Group provides sale-and-leaseback services on fixed assets for highways, toll roads and bridges operating companies with stable toll revenue as well as operating companies with stable income from tickets, advertising, real estate rental and other rail transit management. Meanwhile, the Group requires the lessees to pledge the toll-collecting rights as a security so as to effectively control business risks.

As of December 31, 2019, the existing leasing projects of the Group include toll roads in 11 provinces and rail transit equipment in 11 provinces in the PRC.

Urban Infrastructure Leasing

Urban Infrastructure Leasing business primarily comprises the leasing of operational urban utility facilities. The lessees of urban utility facilities paid their rent by revenues from the operation service of relevant urban utility facilities. Such business typically requires other guarantees to provide joint liability guarantee in order to effectively control business risks.

Affected by the policies, the leasing objects in relation to the urban infrastructure business experienced increasingly stringent compliance requirements. The Group strengthened the model research and duly optimized the review policy based on the market and policy changes, achieving considerable results.

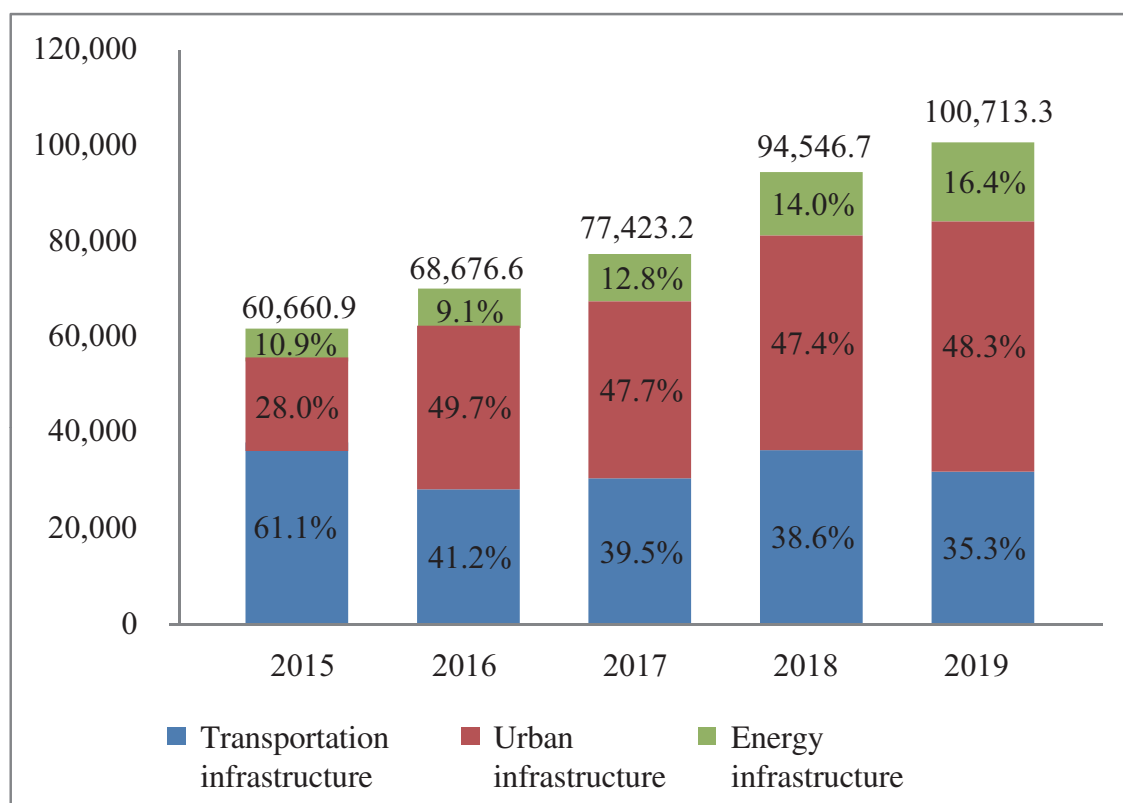
As of December 31, 2019, the Group provided leasing services for water, gas, heating, pipelines and other operational urban utility facilities in 23 provinces, autonomous regions and direct controlled municipalities in the PRC, and provided social housing leasing service in four provinces, autonomous regions and direct controlled municipalities in the PRC.

Energy Infrastructure Leasing

In 2019, the Group increased its efforts in the development of key customers, strengthened the development of new energy projects and achieved a year-on-year increase of 171.6% in the lease financing to lessees in new energy projects. As of December 31, 2019, the balance of new energy lease assets accounted for 58.7% of the balance of Energy Infrastructure Leasing. The main customers are energy state-owned enterprises directly under the central government and provincial state-owned enterprises with high customer credit ratings and debt solvency.

As of December 31, 2019, the Group mainly provided energy and electric power equipment leasing services to enterprises in 22 provinces, autonomous regions and direct controlled municipalities in the PRC.

Balance of Infrastructure Assets
(Unit: RMB million)



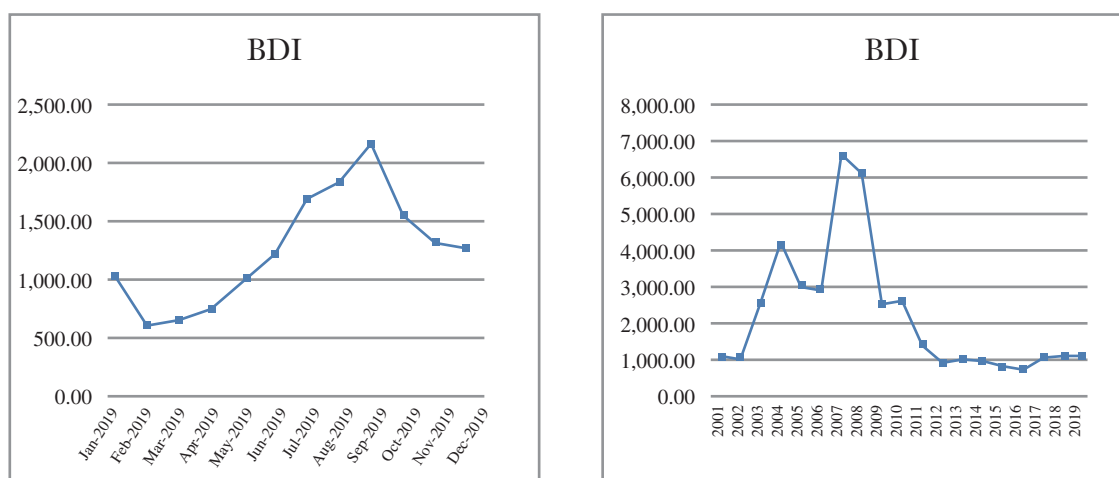
The following table sets forth the net carrying amount and proportion of assets related to leasing business of each sub-segment in Infrastructure Leasing of the Group as of the dates indicated:

	Net carrying amount of sub-segment's assets related to leasing business as of December 31, 2019	Percentage of net carrying amount of sub-segment's assets related to leasing business as of December 31, 2019
<i>(RMB in millions, except percentages)</i>		
Transportation Infrastructure Leasing	35,542.5	35.3%
Urban Infrastructure Leasing	48,654.2	48.3%
Energy Infrastructure Leasing	16,516.6	16.4%
Total	100,713.3	100.0%

3.3 Ship Leasing

In 2019, the Group focused on optimizing its business layout, and selected quality leased assets and high-quality clients with a prudent approach for ship leasing business. As of December 31, 2019, total assets of the Ship Leasing segment of the Group amounted to RMB27,247.1 million, representing an increase of RMB5,612.5 million, or 25.9%, as compared with that as of the end of last year. In 2019, revenue and other income of the Ship Leasing segment of the Group amounted to RMB1,949.5 million, representing an increase of RMB841.6 million, or 76.0%, as compared with that of last year.

In terms of shipping market, in the first half of 2019, subject to the impact of Vale SA's dam breach in Brazil, hurricane in Australia and Sino-US trade conflict, the transportation market of international dry bulk carriers experienced a tough start; in the second half of 2019, factors including the gradual increase of the iron ore export volume of Brazil, the slightly eased Sino-US trade conflict, the increase of import demand for coal and infrastructure materials by emerging entities such as China and countries in Southeast Asia and some large ships leaving the market to install desulfurization equipment made the transportation market of dry bulk carriers rebound strongly; by the end of 2019, due to the influence of seasonal factors such as the approaching of the New Year and Chinese New Year, the transportation market of dry bulk carriers fell again. For the whole year, Baltic Dry Index ("BDI") generally fell first and then rose; in terms of the cyclical nature of the shipping market, the current fundamentals are still at a low adjustment stage.

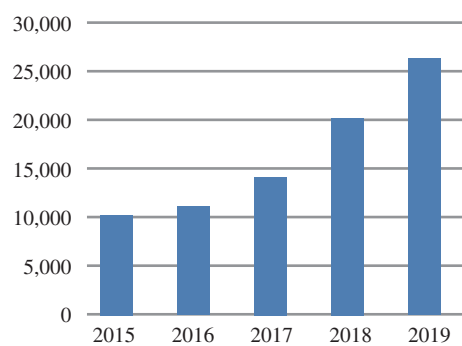


Source: Clarksons, 2020.02

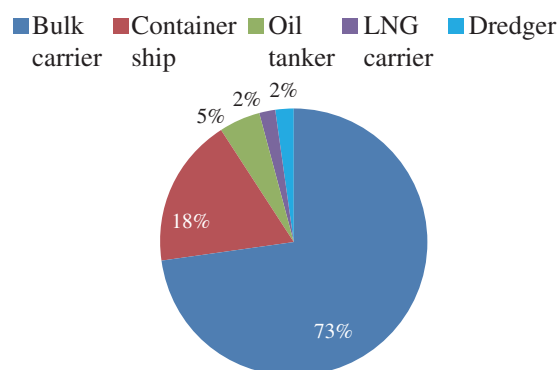
Fluctuation of BDI was relatively significant in 2019. Based on consecutive years of in-depth research on bulk carriers transportation market, the Group made steady progress in developing ship operating lease business and obtained good gains.

As of December 31, 2019, there were a total of 86 ships under the existing management of the Group (another 25 bulk carriers under construction), including 63 bulk carriers, 15 container carriers, 4 oil tankers, 2 LNG carriers and 2 dredgers.

Asset Balance of Ships (RMB in millions)



Type and Number of Ships under Operation



As of December 31, 2019, total assets of the Ship Leasing segment of the Group amounted to RMB27.247 billion, including RMB25.663 billion for assets leased in relation to ships (comprising the balance of finance lease related assets of RMB12.834 billion, the balance of operating lease related assets of RMB8.805 billion and the balance of prepayments of RMB4.024 billion), and other related assets of RMB1.584 billion.

In 2019, the Group adhered to the balanced development of finance lease and operating lease, and continued to hold the technology-advanced, energy-saving and environmental-friendly and high-versatile ships as leased assets. The Group recorded the following in the results of ship operating business: 1. the Group continued to promote key clients strategy, explored new clients such as COFCO International, and further expanded cooperation with international leading companies in segmented markets, such as Cargill International, Mediterranean Shipping Company, SUMEC, Jiangsu Shagang Group, etc.; 2. the Group has improved the profitability of ship operating leasing segment by setting up several initiatives such as minimum rent and using market tools to convert the floating rent of certain ships into fixed level; 3. throughout the year, the Group successfully completed the delivery of 26 ships for operating lease, all of which were bulk carriers. The time-chartered ships in service were in good operating and safe condition, and costs were effectively controlled, with the operating efficiency of time-chartered ships over 99%, and the RIGHTSHIP* ratings of all ships higher than the requirement set out in lease agreements.

The outbreak of COVID-19 in early 2020 had a significantly periodic impact on shipping market. The main factors that have more profound impact on shipping market included the development of the global economy and changes in the volume of maritime trade in respect of that, the increase or decrease in shipbuilding capacity, the update of international conventions, the invention of new technologies, the policies of major economic entities, and war, weather, etc. As there were various factors resulting in strong market volatility in shipping market and ships are technology-intensive and capital-intensive leased assets, ship leasing business will mainly face market risks, credit risks and ship operating risks. The responsive measures adopted by the Group are as follows: 1. establishing a professional team. The Group has established a specialized team consisting of experienced personnel in ship operation, ship management, shipbuilding and shipping finance; 2. establishing an advanced external supporting network. The Group has established long-term and close cooperation relationships with top-tier international third-party service institutions in the shipping market such as ship management companies, ship supervision companies, ship insurers and ship classification societies; 3. increasing the efforts in industry research. The Group probed the shipping market, conducted a dynamic analysis on the supply and demand of market segments and the development of upstream and downstream markets, chose the types of ships based on its research and judgment on the development trends of market segments and also paid close attention to the market volatility and emergency events that might affect the global seaborne trade, which currently primarily include the trends of public health events, progress of Sino-US trade conflicts, development of US-Iran relations, fluctuations in oil prices and changes in the sanction policies of Europe and the United States; 4. selecting customers prudently. The customer base of the Group focused on the major state-owned enterprises and groups directly under the central government and their holding subsidiaries as well as world-class ship owners, cargo owners or traders with prominent operational capabilities, sound financial conditions and strong overall strength; 5. adopting robust and flexible operation strategies. The Group maintained a balanced development for its finance lease and operating lease business, by setting the minimum rent, using freight futures derivatives and other tools to hedge the related risks, conducting asset transactions in due time and optimizing the structure of types and age of ships for ship operating lease projects. In respect of ship finance lease projects, the Group carefully carried out due diligence and enhanced the design of risk prevention and control terms.

* RIGHTSHIP is a ship safety and efficiency assessment organization established by Dry Bulk Cargo Shipper Alliance, with five ratings from 1-5 in an ascending order. The average rating of the Company's ships was 4.04 in 2019.

3.4 Inclusive Finance ⁵

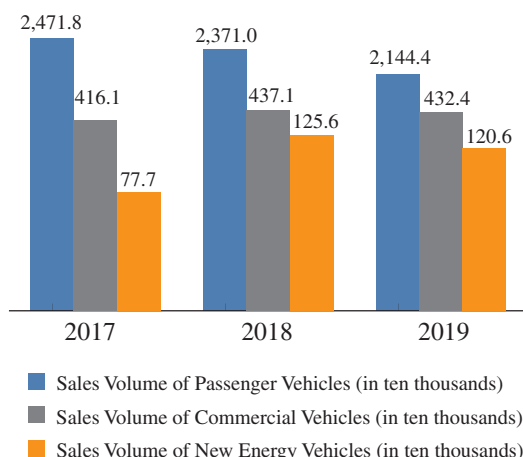
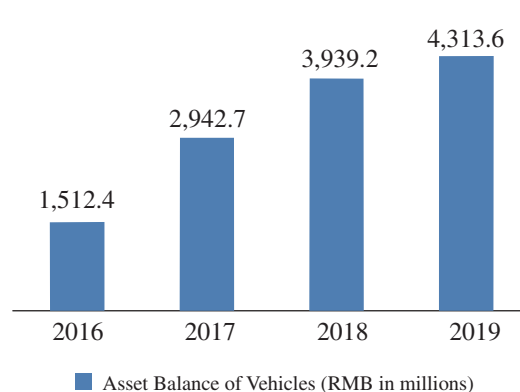
With the changes of domestic and foreign economic situation, the inclusive finance in China has received greater concern from the Party Central Committee and State Council, and obtained widespread attention from market players and the community. In 2019, the development of inclusive finance in China achieved remarkable results. The convenience and satisfaction of the community for financial services was raised, the coverage of basic financial services was expanded and the supply of financial services in main regions was strengthened, for which the overall development trend was positive. The Group proactively responded to national policies, seized market opportunities, and established professional departments for inclusive finance. With Vehicle Leasing and Construction Machinery Leasing segments as support, the Group actively carried out digital transformation, strengthened capabilities of assets management and risk management and control and leveraged the advantages of financing in financial leasing, to provide financing services for small and micro enterprises and persons and create new growth drivers for business of the Group. In 2019, Inclusive Finance of the Group achieved revenue and other income amounting to RMB1,255.4 million, representing an increase of RMB265.1 million or 26.8%, as compared with that of last year.

Vehicle Leasing

In 2019, as domestic economy remained modest growth, the vehicle industry underwent large downward pressure during the process of transformation and upgrading due to the combined effects of economic friction between China and the United States, environmental protection standard updates, and the decline of new energy subsidies and other factors. In the past year, vehicle enterprises in the industry actively conducted certain adjustment and positively made response in respect of such factors. In the second half of the year, they showed strong internal recovery capabilities, and operating indicators of the industry remained within a reasonable range as a whole.

According to statistics from the Ministry of Industry and Information Technology of the PRC, sales volume of passenger vehicles in 2019 was 21.444 million, representing a year-on-year decrease of 9.6%; sales volume of commercial vehicles was 4.324 million, representing a year-on-year decrease of 1.1%; sales volume of new energy vehicles throughout the year was 1.206 million, representing a year-on-year decrease of 4.0%. The passenger vehicle market has shifted to a low-speed development stage, mainly based on replacement and the upgrade of stock; the outlook of commercial vehicles was relatively stable compared to passenger vehicles as many favorable factors promoted its sustainable development such as the gradual recovery of infrastructure investment, the replacement of emission standard adjustments, the strict governance of measures for discharge violations and overloading, and the growth of demand for logistics transportation in the fourth quarter; the sales volume of new energy vehicles declined due to the subsidy decline, but from the medium-to-long-term perspective, new energy vehicles are still the future development trend and direction in the vehicle industry with a broader potential market space.

⁵ Inclusive Finance refers to the appropriate and effective financial services provided to all walks of classes and groups at an affordable cost, based on the principles of equality and commercial sustainability. Currently, the Inclusive Finance carried out by the Group includes, without limitation, Construction Machinery and Vehicle Leasing businesses.

Domestic Vehicle Sales Trend**Asset Balance of Vehicles of the Group**

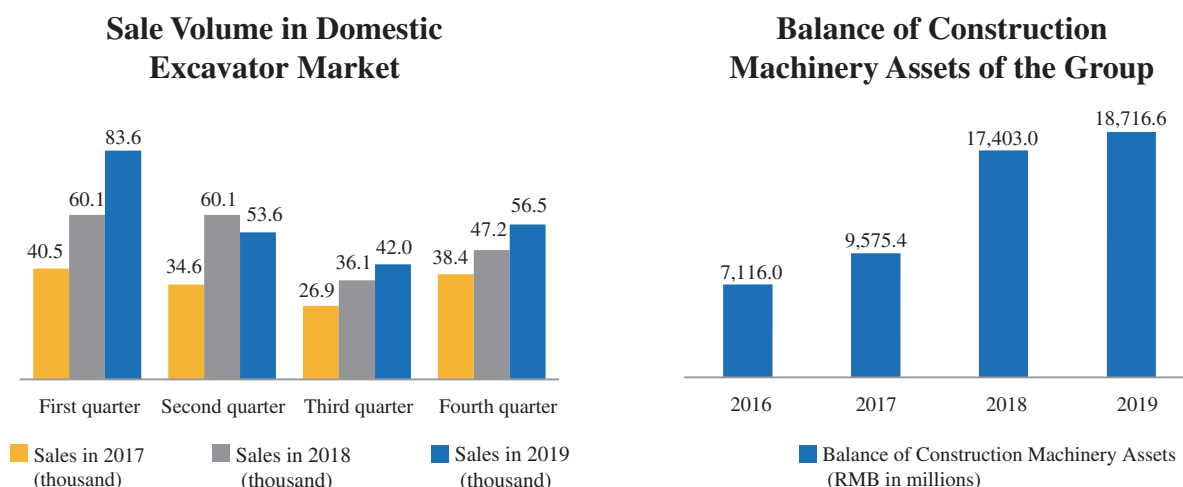
In 2019, adhering to the principle of sound operation and conforming to the development trend of the vehicle industry, the Group strengthened cooperation with leasing companies on the basis of existing business to continuously expand business boundaries and continue to optimize the asset structure. In terms of commercial vehicle business, the Group continued to promote overall cooperation with leading domestic commercial vehicle manufacturers and their leasing platforms to build closer strategic partnerships with key customers, and to increase financial support through multiple channels and levels based on the manufacturer leasing and asset package leaseback to provide financing facilities for small and micro enterprises and natural persons at the sales terminal. In terms of passenger vehicle business, the Group cooperated with Internet leasing platforms and vehicle leasing platforms through asset package leaseback by using leading finance lease companies for the passenger vehicle and large vehicle leasing companies as the entry point for cooperation to introduce big data risk control technology and establish a risk control mode combining online big data risk control and offline asset management for strengthening credit screening and access to entry of terminal customers under the passenger vehicle portfolio before the lease and strengthening the track of the repayment ability and leased assets of terminal customers after the lease. At the same time, the Group continued to optimize asset access standards to further improve the risk management and control abilities of lessees of passenger vehicle leasing business and ensure the quality of passenger vehicle leased assets. In terms of new energy vehicle business, the Group adhered to the concept of sustainable development by vigorously developing green lease business such as urban new energy buses. On one hand, the Group took the procurement needs and capital requirements of new energy buses from state-owned bus companies as the entry point to strongly expand green finance business in the people's livelihood field; on the other hand, the Group actively sought cooperation with manufacturers of new energy vehicles to provide financing solutions for their sales of new energy vehicles and jointly provide new energy vehicle leasing services for small and micro enterprises and natural persons at their sales terminals. The Group combined inclusive finance with green finance to serve the real economy, help pollution prevention, and fully fulfill social responsibilities. As of December 31, 2019, the underlying assets of the Vehicle Leasing business of the Group were RMB4,313.6 million, representing an increase of RMB374.4 million or 9.50% as compared with that as of December 31, 2018 and accounting for 18.7% of the assets of the Inclusive Finance segment.

In 2020, the Group will continue to intensify the innovation of vehicle business, actively introduce financial technology to lay the development foundation for technology finance, and continue to promote the digital and intelligent development of Vehicle Leasing business. At the same time, the Group will pay close attention to the development trend of the vehicle market and strengthen cooperation with leasing platforms to promote the transformation and development of the passenger vehicle leasing business model, realize informationalized and refined management of vehicle

business, improve the capabilities of risk prevention and control and asset management and operation, and strive to solve the difficult, troubled and costly financing of small and micro enterprises and individuals for further extending the scope of the Group's inclusive finance system.

Construction Machinery Leasing

After maintaining the upward trend for 40 consecutive months, the domestic construction machinery industry entered a period of steady growth in 2019 with the sales throughout the year keeping certain increasing. Judging from the development of the industry in 2019, periodic fluctuations in the industry significantly reduced as the downstream investment demand of the construction machinery industry was stable; and the demand for equipment upgrades was stable, and the market share of brands was relatively balanced. According to the statistics of China Construction Machinery Industry Association, the sales volume of the “indicating” product of the industry – excavator was 0.2357 million units, representing a year-on-year increase of 15.9%. It is expected that in 2020, the sales volume of construction machinery will remain relatively considerable, and convergence effect in the industry will be obvious, and the market share of leading enterprises will further increase.



In 2019, the Group conducted strategic cooperation with leading manufacturers in the industry by implementing the customer-oriented development concept to comprehensively explore the leasing needs of key manufacturers, deepen the cooperative relationship with strategic cooperation customers, proactively market and actively adjust product solutions for meeting the multi-dimensional and multi-level funding needs of manufacturers, with which we had strategic cooperation; the Group proactively developed the market mechanisms of inclusive finance and strongly promote targeted poverty alleviation policies by responding to the national policies of “inclusive finance” and “poverty alleviation” to provide high-quality and affordable inclusive finance services for private enterprises, small and micro enterprises and natural person customers for helping accurate poverty alleviation, which effectively explored the solutions to the financing difficulties in small and medium-sized enterprises and natural persons in remote areas. At the same time, the Group actively developed the top mainstream manufacturers in the industry to expand the service scope of manufacturers in the construction machinery market and initially form a three-dimensional business development system with large and medium-sized manufacturers and multiple business models for further consolidating the first-mover advantages and market-leading position of construction machinery business. In addition, the Group opened the transfer channel for small and micro assets for the first time and secured a non-recourse factoring business contract for the first small and micro assets for construction machinery of RMB465.99 million. While revitalizing the existing assets, the Group achieved the profit-taking of liquidity of the assets and effectively built its asset turnover capability and the recycling development capability of Construction Machinery Leasing business. As of December 31, 2019, the underlying assets of Construction

Machinery Leasing of the Group amounted to RMB18,716.6 million, representing an increase of RMB1,313.6 million or 7.55% as compared with that as at December 31, 2018, accounting for 81.3% of the assets of the Inclusive Finance segment. The increase in the total amount of construction machinery assets was mainly due to the year-on-year growth of business volume and the adjustment and optimization of business structure and construction machinery business entering into in a high-speed turnaround period in 2019.

In 2020, the Group will continue to steadily develop the Construction Machinery Leasing business. On one hand, the Group will closely follow the existing customer cooperation system, dynamically track the market and industry trends, respect the market and benchmark against the standard in the industry to further implement hierarchical management and differentiated conditions for customers for optimizing existing product solutions and maintain the advantages of the Construction Machinery Leasing business by virtue of many aspects such as credit structure, product structure, and product pricing; on the other hand, the Group will expand and strengthen the Construction Machinery Leasing business by focusing on national strategic priorities and the development strategy of the Construction Machinery Leasing business in central city clusters such as the Greater Bay Area, Beijing-Tianjin-Hebei Region, and the Yangtze River Delta to provide high-quality finance lease services in target areas for building a well-off society in an all-round way and winning the decisive battle to overcome poverty.

The following table sets forth the net carrying amount and proportion of assets related to leasing business of each sub-segment in Inclusive Finance of the Group as of the dates indicated:

	Net carrying amount of sub-segment's assets related to leasing business as of December 31, 2019	Percentage of net carrying amount of sub-segment's assets related to leasing business as of December 31, 2019
<i>(RMB in millions, except percentages)</i>		
Vehicle Leasing	4,313.6	18.7%
Construction Machinery Leasing	18,716.6	81.3%
Total	23,030.2	100.0%

4. FINANCING

Benefiting from high credit ratings (“A1” by Moody’s, “A” by Standard & Poor’s, and “A+” by Fitch), the Group continuously enhanced its funding capability and diversified its financing channels. The Group continued to deepen its cooperation with domestic and overseas banks and other financial institutions to ensure that there would be sufficient funds available for business development. As of December 31, 2019, the Group had established business relationships with 123 banks and was granted credit facilities amounting to a total of approximately RMB570.71 billion including unused credit facilities of RMB387.64 billion. Meanwhile, under the complex and ever-changing macroeconomic conditions in domestic and overseas markets, the Group timely adjusted financing strategies based on macroeconomic trend, innovated financing products and expanded financing channels continually to further optimize debt structure and maintain appropriate financing costs. As for financing in debt capital market, the Group successively issued a three-year USD700 million senior bonds with fixed coupon rate through public offering in March 2019 and realized the “dim-sum bond” private placement issuance for the first time. Throughout the year, the Group issued 10 private placement bonds with a total amount of USD614 million. As for financing by syndicated loan, the Group raised a loan of USD500 million by establishing Ninja Syndicate in Japan for the first time.

In 2019, the Group controlled financing cost through proactive adjustment of financing strategies and optimization of financing structure. In respect of RMB financing, financing cost of RMB was significantly reduced due to abundant market liquidity throughout the year; in addition, the Group appropriately extended the maturity term of newly-added financing, optimized financing term structure and relived pressure on financing turnover. In respect of USD financing, the Federal Reserve was more expected to reduce the interest rate in the first half year, and reduced interest rate three times consecutively in the second half year. The Group closely followed changes in the market situation and further decreased the financing cost of USD by selection of financing products and collocation of term structure reasonably. Further, the issuance of offshore bonds and the launch of syndicated loan further strengthened and expanded foreign currency financing channels. As for interest structure, the Group continued to maintain the original strategy for the risk management on interest rate, and actively managed the matching of assets and liabilities in terms of interest structure. As for the structure of exchange rates, the Group continued to maintain its original strategy for the risk management on exchange rates and maintained the matching of currency between assets and liabilities.

In 2019, the financing sources of the Group mainly included bank borrowings and issuance of bonds. As of December 31, 2019, the Group's borrowings and bonds payable were RMB174,135.6 million and RMB42,811.3 million, respectively.

5. RISK MANAGEMENT

The Group is exposed to various risks in its ordinary course of business, including credit risk, market risk, liquidity risk, operational risk, information technology risk and reputation risk. The Group carries out risk management with the support for sustainable development of the business and enhancement of the Group's value as the strategic objectives, and has established and continually improved a comprehensive risk management system with a feature of "all round and comprehensive process with participation of all personnel". This actively promotes and nurtures the risk philosophy and culture that "everyone shall be equal in the face of risks, everyone shall be responsible for risk control", in which it forms an impeccable risk management framework and system with a detail-defined division among all business segments, risk management departments and internal audit department to constantly identify, evaluate and monitor the risks in the ordinary course of the Group's operation, so as to achieve an appropriate balance between risks and benefits while reducing the potential negative impact as much as possible on the Group's financial performance. The Group has, with the help of relevant risk evaluation resources and credit experience of China Development Bank, unleashed its potential in resources to improve the sense of activeness and forward-looking in risk management for safeguarding the business development.

The Group adopts the hierarchical management based on the "three layers of defence": Business lines, as the first layer of defence of comprehensive risks prevention, in which business departments as the first layer of defence of credit risks prevention, the Treasury Department as the first layer of defence of market and liquidity risk prevention, the Informative Management Department as the first layer of defence of information technology risk prevention, assuming direct responsibilities of risk management. Risk management lines, as the second layer of defence of comprehensive risks prevention, assume responsibilities of formulating policies and process, daily monitoring and risk management. The internal audit department, as the third layer of defence of comprehensive risks prevention, assumes responsibilities of auditing the performance of business lines and risk management lines. Each department of the above three layers of defence should undertake their own responsibilities,

strengthen communication and information transmission, enhance coordination and collaboration and improve risk management and control. In particular, the Risk Management Department is the overall planning and management department of the Company's comprehensive risk management, which is responsible for the management of the credit risk, market risk, liquidity risk, country risk and information technology risk; the Office of the Board is responsible for the management of strategic risk and reputational risk; the Appraisal Department is responsible for the review and assessment of credit risk management; the Compliance Department is responsible for the management of the compliance risk, operational risk, money laundry and sanctions compliance risk, related party transaction and internal control; the Legal Affairs Department is responsible for the management of legal risk; and the Accounting Department is responsible for the management of financial risk.

At present, the Group adopts a stable strategy in relation to risk preference. With regard to the selection of industries, the Group prefers industries and fields with mature business models, generating economies of scale and equipped with excellent asset quality. In terms of customer selection, the Group prefers large enterprises, leading enterprises in the industry or listed companies with high quality. In terms of leased assets operation, the Group will conduct scientific classification, value analysis and professional management and accelerate the transfer of leased assets by combining operation strategies, market environment and the features of leased properties. While realizing the steady growth of the business, the Group receives a return on its earnings that matches the risks, and controls its risks within an acceptable range.

The Group identifies, evaluates, monitors, warns, controls, mitigates and reports various risks based on the characteristics of the leasing industry. The Group continues to deepen its understanding of the risks of industry in which it operates, and actively promotes the construction of risk measurement system. Meanwhile, it also strengthens the proactive monitoring, warning and response management of risks. The Group reduces the overall business risks through the asset portfolio management in different countries, regions and industries. The Group proactively adjusts the operation strategies of the industry, strengthens the customer admission criteria, improves the risk pricing system and strives for the maximization of risk return. By enhancing the Group's business quality and efficiency of resource allocation, the creative value of risk management can be achieved.

In 2019, the Group took several measures including continuously strengthening the establishment of comprehensive risk management system and promoted the improvement of corporate risk management framework; improving risk preference, limitation and warning management system; establishing a comprehensive risk identification and assessment working mechanism to improve risk identification, assessment and monitoring; formulating risk strategies to enhance the transmission of risk management strategic goals; optimizing and improving stress test methods with the Company's business characteristics, to effectively test the pressure of the Company's assets portfolios under sudden changes in key market variables; establishing a "prevention for risks, remedy for weaknesses" working mechanism with the comprehensive risk management and control scheme as the main support to continuously improve the comprehensive risk management system; and positively guiding the staff to develop the senses of compliance and responsibilities by strictly implementing the accountability system and strengthening special training of risks.

5.1 *Credit risk*

Credit risk refers to the risk of loss incurred by the Group due to the failure of fulfilment of contractual obligations by counterparties when due.

Credit risk is currently the major risk faced by the Group. The Group emphasizes the operating philosophy of keeping balance among “scale, efficiency and risks”, strictly complies with regulatory requirements and policy requirements imposed, and conducts lease business in compliance with laws and regulations. The Group has regarded Aircraft Leasing and Infrastructure Leasing segments as core business, proactively developed Ship Leasing and Inclusive Finance, and prudently developed other leasing business. We attach great importance to the quantitative management technology of credit risks and the management application, establish a dual-dimensional rating system with credit rating and debt rating for all enterprise clients, and ensure the effectiveness of medium- to long term credit risk management of the Company by reinforcing risk pricing capability, so as to guarantee a reasonable level of credit risk and revenue for clients. We maintain appropriate diversification of the Group’s lease assets portfolio in different countries, regions, industries, clients and products in order to control the concentration risks within a reasonable level. We continuously improve the precise level of after-lease management, carry out various special risk investigations, and strengthen the alert, monitor and control of risk-bearing projects, to improve forward-looking ability and capabilities of risk management and control. Regarding the elimination of non-performing and risk-bearing projects, we stabilize the assets quality and safeguard the bottom line against risks through various approaches such as stepping up the collection efforts and collecting according to the laws. We maintain the high quality of our assets and the non-performing assets ratio is of leading level comparing with that of the peers in the domestic finance leasing industry.

In 2019, the global economic growth continued to slow down, and the international political and economic situation was complex. The domestic economic growth experienced larger downward pressure. Market risk events occurred frequently, and corporate liquidity risk was further manifested. The credit risk prevention and control situation was still serious. Facing complex and changing internal and external environment, the Group managed the business investment strictly, increased the efforts in industry research and analysis to strengthen risk monitoring and early warning mechanism, enhanced the application of financial technology measures for risk control to enhance the capabilities of risk resolution and disposal, and improved credit risk policies and methodologies to continuously boost the level of credit risk management and control.

The following table sets forth the Group's maximum credit risk exposure before collateral held and other credit enhancement as of the dates indicated:

<i>(RMB in millions)</i>	As of December 31,	
	2019	2018
Financial assets		
Cash and bank balances	21,528.3	23,497.8
Placement to banks and other financial institutions	–	500.0
Financial assets at fair value through profit or loss	–	1,749.6
Derivative financial assets	32.4	36.9
Accounts receivable	2,168.5	5,405.7
Finance lease receivables	141,498.1	125,141.6
Financial assets at fair value through other comprehensive income	–	495.7
Other financial assets	186.7	231.6
Total	165,414.0	157,058.9

Asset quality

The Group evaluates asset quality and adjusts asset categories quarterly based on the asset risk degree, and adopts measures to mitigate risks for the projects with overdue rent and material risks in a timely manner. The Group's asset classification system is based on the Guidelines on the Risk-based Classification of Loan (《貸款風險分類指引》) issued by the CBIRC on April 4, 2007. In addition, the Group formulated its financial assets impairment policies in accordance with the statutory requirements relating to the asset quality classification of the China banking industry, international accounting standards and the accompanying guidance.

The following table sets forth the distribution of the Group's total assets by the five-category asset quality classification as of the dates indicated:

<i>(RMB in millions, except percentages)</i>	As of December 31,	
	2019	2018
Five-category		
Normal	247,290.7	229,263.8
Special mention	19,544.3	12,611.1
Substandard	461.3	895.9
Doubtful	344.7	528.1
Loss	1,593.9	748.2
Total assets before allowance for impairment losses	269,234.9	244,047.1
Non-performing assets ⁽¹⁾	2,399.9	2,172.2
Non-performing asset ratio ⁽²⁾	0.89%	0.89%

⁽¹⁾ Non-performing assets are defined as the last three categories of assets recognized under the five-category asset quality classification system, including “substandard”, “doubtful” and “loss”.

⁽²⁾ Non-performing asset ratio is the percentage of non-performing assets over total assets before allowance for impairment losses as of the dates indicated.

The following table sets forth the distribution of the Group's finance lease related assets by the five category asset quality classification as of the dates indicated:

<i>(RMB in millions, except percentages)</i>	As of December 31,	
	2019	2018
Five-category		
Normal	139,357.8	125,120.6
Special mention	7,646.4	7,927.4
Substandard	452.0	895.9
Doubtful	344.7	528.1
Loss	1,568.3	683.4
Finance lease related assets before allowance for impairment losses	149,369.2	135,155.4
Non-performing finance lease related assets ⁽¹⁾	2,365.0	2,107.4
Non-performing asset ratio of finance lease business ⁽²⁾	1.58%	1.56%

⁽¹⁾ Non-performing finance lease related assets are defined as the last three categories of finance lease related assets recognized under the five-category asset quality classification system, including "substandard", "doubtful" and "loss".

⁽²⁾ Non-performing asset ratio of finance lease business is the percentage of non-performing finance lease related assets over finance lease related assets before allowance for impairment losses as of the dates indicated.

As of December 31, 2019, the non-performing assets of the Group was RMB2,399.9 million, representing an increase of RMB227.7 million as compared with that as of the end of last year, while the non-performing asset ratio was 0.89%, keeping in line with that in the last year. As of December 31, 2019, the non-performing finance lease related assets of the Group were RMB2,365.0 million, representing an increase of RMB257.6 million as compared with that as of the end of last year, while the non-performing asset ratio of finance lease business was 1.58%, representing an increase of 0.02 percentage point as compared with that as of the end of last year. The Group will constantly improve the asset quality: for new businesses, the Group will follow the principle on the selection of industries and customers strictly; for existing businesses, the Group will take measures to mitigate risk at various stages of business including post-lease management and collateral management in order to strengthen credit risk management.

The following table sets forth the distribution of the Group's finance lease related assets by four segments and other business and the five-category asset quality classification as of December 31, 2019:

<i>(RMB in millions, except percentages)</i>	Aircraft Leasing	Infrastructure Leasing	Ship Leasing	Inclusive Finance	Others	Total
Five-category						
Normal	320.1	94,890.1	13,186.9	17,866.7	13,094.0	139,357.8
Special mention	–	3,227.2	–	4,106.7	312.5	7,646.4
Substandard	–	331.7	–	–	120.3	452.0
Doubtful	–	–	–	–	344.7	344.7
Loss	–	–	159.0	340.8	1,068.5	1,568.3
Finance lease related assets before allowance for impairment losses	320.1	98,449.0	13,345.9	22,314.2	14,940.0	149,369.2
Non-performing finance lease related assets	–	331.7	159.0	340.8	1,533.5	2,365.0
Non-performing asset ratio of finance lease business	–	0.34%	1.19%	1.53%	10.26%	1.58%

Through joint efforts contributed to the Aircraft Leasing business for mainstream models between the Group and high-quality aviation companies, the Aircraft Leasing segment maintained good asset quality. The Infrastructure Leasing business cooperated by the Group with large state-owned enterprises and enterprises affiliated to local governments recorded increased credit risks in 2019, but the overall risk was controllable. The assets quality of Ship and Inclusive Finance segments remained stable.

On the basis of ECL model, the Group divided the credit level changes of finance lease related assets into the following three stages:

- Stage 1: Subsequent to initial recognition, the finance lease receivables without significant increase in credit risk were categorized in this stage. For such finance lease receivables, the expected credit loss in the next 12 months shall be confirmed;
- Stage 2: Subsequent to initial recognition, the finance lease receivables with significant increase in credit risk but without objective evidence of impairment were categorized in this stage. For such finance lease receivables, the expected credit loss shall be measured over the whole period;
- Stage 3: The finance lease receivables with objective evidence of impairment were categorized into this stage. For such finance lease receivables, the expected credit loss shall be measured over the whole period.

With the ECL models and the above division of credit levels, the followings are carrying amount of finance lease related assets and balances of allowance for impairment losses of finance lease related assets by the Group on December 31, 2018 (Unit: RMB in thousands):

	Stage 1	Stage 2	Stage 3	Total
Carrying amount of				
finance lease related assets	115,166,706	17,671,497	2,317,219	135,155,422
Allowance for impairment losses of				
finance lease related assets	1,158,150	2,102,878	2,073,431	5,334,459

The followings are carrying amount and balances of allowance for impairment losses of finance lease related assets by the Group as at December 31, 2019 (Unit: RMB in thousands):

	Stage 1	Stage 2	Stage 3	Total
Carrying amount of				
finance lease related assets	128,294,611	18,554,482	2,520,160	149,369,253
Allowance for impairment losses of				
finance lease related assets	1,303,372	2,673,179	2,399,698	6,376,249

The following table sets forth the classification of overdue finance lease receivables of the Group as of the dates indicated:

<i>(RMB in millions)</i>	As of December 31,	
	2019	2018
Neither overdue nor impaired	145,574.9	128,425.3
Overdue but not impaired	—	—
Impaired	1,578.7	1,391.8
	147,153.6	129,817.1
Less: Allowance for impairment loss	(5,655.5)	(4,675.5)
Total	141,498.1	125,141.6

Concentration of credit risks

The Group proactively implemented the requirements of the regulatory authorities and timely monitored the financing concentration of a single client through project inspection. Besides, the Group has established a client's ledger to carry out quarterly monitoring over the financing concentration of clients of the Group in order to prevent credit concentration risk. As of December 31, 2019, the balance of finance lease transactions for the largest single client of the Group accounted for 23.43% of the net capital while the balance of finance lease transactions for the largest single group client accounted for 25.79% of the net capital.

The following table sets forth the degree of concentration of single client and single group client of the Group as of the dates indicated:

Concentration indicator	As of December 31,	
	2019	2018
Degree of concentration of single client financing ⁽¹⁾	23.43%	14.06%
Degree of concentration of single group client financing ⁽²⁾	25.79%	17.26%

⁽¹⁾ Calculated by dividing the balance of all finance lease transactions of a single lessee by the net capital of the Group.

⁽²⁾ Calculated by dividing the balance of all finance lease transactions of a single group by the net capital of the Group.

As of December 31, 2019, in terms of finance lease related assets before allowance for impairment losses, the total financing raised by the top ten single clients amounted to RMB31,320.5 million, accounting for 20.96% of finance lease related assets.

The following table sets forth the financing amount raised by the top ten clients of the Group as of December 31, 2019:

<i>(RMB in millions, except percentages)</i>	Business segment	Financing amount	Percentage of finance lease related assets before allowance for impairment losses
Client A	Infrastructure	6,854.2	4.59%
Client B	Ship	4,098.1	2.74%
Client C	Infrastructure	3,160.9	2.12%
Client D	Ship	2,800.4	1.87%
Client E	Infrastructure	2,793.3	1.87%
Client F	Finance lease	2,515.7	1.68%
Client G	Manufacturing industry	2,404.2	1.61%
Client H	Finance lease	2,353.5	1.58%
Client I	Infrastructure	2,228.5	1.49%
Client J	Infrastructure	2,111.7	1.41%
Total		31,320.5	20.96%

If lessees are overly concentrated in a single industry or region, or have similarities in economic features, the credit risks of the lessor would be relatively higher. As the industrial distribution of finance lease receivables of the Group is rather diversified, there is no significant risk on industrial concentration.

The following table sets forth the industrial distribution of carrying amount of finance lease receivables of the Group as of the dates indicated:

	As of December 31,			
	2019		2018	
<i>(RMB in millions, except percentages)</i>	Amount	Percentage	Amount	Percentage
Aircraft Leasing	320.1	0.2%	2,042.9	1.6%
Infrastructure Leasing	96,948.9	65.9%	84,099.7	64.8%
Transportation Infrastructure	33,798.5	23.0%	31,925.6	24.6%
Urban Infrastructure	48,146.4	32.7%	42,318.8	32.6%
Energy Infrastructure	15,004.0	10.2%	9,855.3	7.6%
Ship Leasing	13,345.9	9.1%	14,274.8	11.0%
Inclusive Finance	22,314.2	15.2%	20,164.9	15.5%
Vehicle	4,266.5	2.9%	3,832.0	2.9%
Construction Machinery	18,047.7	12.3%	16,332.9	12.6%
Others	14,224.5	9.7%	9,234.8	7.1%
Commercial Property	766.3	0.5%	1,791.2	1.4%
Other Sectors	13,458.2	9.2%	7,443.6	5.7%
Total	<u>147,153.6</u>	<u>100.0%</u>	<u>129,817.1</u>	<u>100.0%</u>

5.2 Market risk

5.2.1 Interest Rate Risk

Interest rate risk refers to the risk of losses in the Group's overall income and economic value resulting from adverse movements in interest rates, maturity structure and other factors.

Interest margins of the Group may be narrowed down as a result of the fluctuation in market interest rates. Therefore, the Group primarily manages the interest rate risk through balancing the repricing periods of the leasing assets and its corresponding liabilities.

The Group mainly receives fixed rental income under operating leases in foreign currencies while the bank borrowings bear floating rate interests. The Group reduced its liability exposure of overall floating interest rate denominated in US dollar mainly through issuance of fixed-rate bonds, switched the borrowings with floating rate into fixed rate through interest rate swap contracts and hedged the cash flow volatility risk as a result of the liability interest rate fluctuation to effectively match the future fixed rental income and stabilize the interest rate margins while mitigating the effect of fluctuation in interest rates of US dollars on the operating and financial performance of the Group.

The vast majority of rental income from RMB-denominated leasing business of the Group floats with the Loan Prime Rate (LPR) or the benchmark interest rate published by the PBOC, while liabilities mainly bear a fixed rate interest. For this particular situation, the Group proactively matches the duration of RMB-denominated liabilities with that of RMB-denominated assets to reduce interest rate risk.

5.2.2 Foreign Exchange Risk

Foreign exchange risk refers to the risk of losses in the Group's overall income and economic value resulting from an adverse movement in foreign exchange rates. The foreign exchange risk exposure primarily arises from the foreign currencies-denominated profits generated from subsidiaries, projects subsidiaries and SPCs, as well as the exchange of proceeds raised in listing into US dollars.

The strategy for foreign exchange risk management is to proactively match the currencies of assets and liabilities in daily operations, to identify and measure the impact of exchange rate changes on operations through foreign currency exposure analysis, exchange rate sensitivity analysis and other instruments, and to hedge foreign exchange risk from exposure which affects profit or loss through derivatives instruments. Most of the aircraft and ships under the operating lease and finance lease business of the Group are purchased and dominated in US dollars and the corresponding operating lease assets and finance lease receivables are denominated in US dollars, while the major funding sources of which are onshore and offshore US dollar-denominated bank borrowings and offshore US dollar-denominated bonds. Apart from Aircraft Leasing and Ship Leasing businesses, other leasing businesses of the Group are substantially denominated in Renminbi. Hence, there is no significant foreign exchange risk exposure.

As of December 31, 2019, the Group's net exposure for US dollar-denominated assets that affect profit or loss amounted to US\$975.7 million, and the ending balance of notional amount for hedging transactions amounted to US\$155.0 million. The Group effectively managed the foreign exchange risk and recorded exchange revenue of RMB38.6 million through monitoring the exposure, hedging by derivatives instruments, etc.

5.3 *Liquidity Risk*

Liquidity risk refers to the risk that the Group is unable to obtain funds at a reasonable cost to repay the liabilities or seize other investment opportunities. The target of the Group's liquidity risk management is to maintain moderate liquidity reserves and sufficient funding resources to adequately meet the repayment needs of matured liabilities and the funding needs of business development, and to achieve a higher interest rate margins level and control the liquidity management costs on conditions that liquidity risks have been well managed.

The Group managed liquidity risk and balanced it with the interest rate margin by adopting the following measures: The Group proactively managed the maturity portfolios of assets and liabilities, and controlled cash flow mismatch gap to reduce structured liquidity risk; through adequate bank credit line, the Group established diversified funding sources, thereby continuously increasing the transaction capability of the money market, the financing and the daily liquidity management capabilities of the Group, thus preserved sufficient funds to repay debts and fuel the Group's business development. The Group established a three-level liquidity reserve system to mitigate and defuse liquidity risk. The Group uses quasi-cash assets from bank deposits and the money market, etc. as the first level liquidity reserve, bank-committed credit line of overdraft as the second level liquidity reserve and a portion of senior bonds held by the Group as the third level liquidity reserve. As of December 31, 2019, the Group had an interbank borrowing and lending limit of RMB12.64 billion. In addition, the Group strived to improve its trading capacity in the money market, especially the online financing capacity through national interbank funding centre, and accumulated due to banks and other financial institutions (including bond collateral repo) amounted to RMB103.64 billion. Meanwhile, the Group maintained a bank-committed overdraft line of RMB1.45 billion and held a certain portion of senior bonds, thus ensuring that its liquidity asset reserve can fully mitigate liquidity risk.

During 2019, the liquidity of the Group remained strong. According to the market liquidity situation, the Group arranged financing plans in a reasonable and orderly manner, further optimized the liquidity management mechanism, and gradually optimized the three-level liquidity reserve system to further improve the liquidity risk management capability.

5.4 Other risk

5.4.1 Operational risk

Operational risk refers to the risk of losses resulting from imperfect or problematic internal process, personnel and system or external events.

In 2019, the Group further enhanced its control efforts of the operational risk. Firstly, the Group continued to strengthen the system management by timely supplementing the system shortcomings and establishing a three-level integrated system consisting of “basic systems, special systems and operating procedures”; Secondly, the Group refined responsibility identification standards by optimizing and improving the accountability management mechanism and workflow to realize the transition from “accountability for losses” to “accountability for violations”; Thirdly, the Group improved the internal control and self-restraint mechanisms by optimizing the basic authorization, special authorization and sub-authorization management, and defining the work boundaries and responsibility divisions of each levels and subjects; Fourthly, the Group continuously promoted the construction of information system by carrying out the construction of new application system and optimization of existing system on the basis of 2018 to improve the capability to use technology means to prevent operational risk.

5.4.2 Information Technology Risk

Information technology risks refer to the risks of operation, law and reputation arising from natural and human factors, technical loopholes and management flaws in the course of the application of information technology.

The CBIRC attaches great importance to the risk management of information technology in the banking industry, requires financial leasing companies to establish effective mechanism to identify, measure, test and control information technology risks of the company so as to promote safe, sustainable and stable operation, promote business innovation to enhance application of information technology, strengthen core competitiveness and sustainable development capability to constantly enhance the risk resistance capability.

In 2019, the Group further optimized its management of information technology risk. Firstly, the Group continuously improved the construction of information technology system by formulating and issuing rules including the Measures for Management of IT Outsourcing Suppliers, the Measures for Management of Software Development Projects, the Technical Specifications for IT Infrastructure Operation and Maintenance and the Measures for Management of Information Technology Outsourcing Risk to further standardize and strengthen the management of the Company’s IT outsourcing suppliers, management of software projects development and operation of IT infrastructure operation and maintenance, which further enhanced the standardization of information technology management. Secondly, the Group further strengthened the protection of information security by optimizing the ECC monitoring large screen, establishing a 7*24-hour fault alarm and response mechanism, completing the protection level evaluation and improving the vertical and horizontal protection capability of information security to further improve the compliance and comprehensiveness of network security assurance. Thirdly, the Group continuously strengthened the management of information technology business continuity by formulating the plans and emergency plans of information technology business continuity, conducting business continuity exercises and constantly strengthening the management level of information technology risk.

5.4.3 Reputational risk

Reputational risk refers to the potential or existing risk of negative impact or damage to the image, reputation and brand value of the company, arising when the operational, managerial and other behaviors or external incidents of the company are noticed or reported by the media.

In 2019, the Group enhanced its reputational risk management and focused on the reputational risk prevention and control as well as brand building. According to the regulatory and the relevant requirements of the Group's reputational risk management, the Group conducted regular self-inspection and investigation of reputational risk, actively conducted related training on reputational risk management and carried out daily public opinions monitoring through professional institutions, prevented in advance, proactively responded to reputation-related issues of the company and timely and promptly dealt with the issues, thereby effectively improving the capability of responding to the public sentiment and guiding public opinions. In addition, the Group facilitated the brand building of the company in markets with great efforts through strengthening cooperation with domestic and foreign authoritative media, strengthened positive advertising, and accumulated positive energy and guided public opinions in an active manner. The reputational risk management of the Group was improved stably for the year, effectively safeguarding the sound corporate image and reputation.

6. CAPITAL MANAGEMENT

The Group's major objectives of capital management activities are to maintain a reasonable capital sufficiency rate to meet the requirements of capital regulations and policies, to safeguard the Group's ability of sustainable operation so as to continuously provide returns for Shareholders, and to maintain a strong capital base to support its business development. In accordance with relevant regulations promulgated by the CBIRC, capital adequacy ratio, leverage ratio and the utilization of regulatory capital are closely monitored by the management of the Group.

In 2019, the Group continued to consolidate the foundation of capital management, actively promoted the operating transformation of capital intensification. Firstly, the Group further optimized the system and mechanism of asset management by systematically implementing assessment procedures of internal capital adequacy ratio which is in compliance with the core regulatory requirements and with features of the Company, completing the assessment report of the internal capital adequacy and the management plan report of capital adequacy ratio for the year, and organizing to promote the construction of the second pillar; secondly, the Group deepened the capital delicacy management concept, commenced in-depth organization management of capital replenishment and capital utilization by regarding capital planning, capital adequacy ratio management plan and supervision of the capital flow as the basis, and improved the capital utilization efficiency and capital return level; thirdly, the Group enhanced internal and external capital replenishment capability, and developed long-term mechanism for asset replenishment. Through maintaining sound profit growth and effective non-performing assets and provision management, the Group formed solid foundation for internal capital replenishment, while actively promoting external capital replenishment, constantly solidifying the capital strength of the Group, and strengthening the capability of serving the real economy. Throughout the year, all capital indicators showed favourable results, and capital adequacy ratio maintained at a sound and reasonable level. Each of the management system and management measures was further implemented.

On June 7, 2012, the CBIRC issued the Capital Administrative Measures, which came into effect on January 1, 2013. In order to ensure the successful implementation of the Capital Administrative Measures, the CBIRC issued the Notice on Arranging Related Matters in the Transitional Period of Carrying out the Administrative Measures for Capital of Commercial Banks (Provisional) (《關於實施<商業銀行資本管理辦法(試行)>過渡期安排相關事項的通知》) on November 30, 2012, which stipulates the requirement on annual capital adequacy ratio during the transitional period. As of December 31, 2019, the Group's core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio were 10.51%, 10.51% and 11.69%, respectively, which were all above the regulatory requirements.

The following table sets forth the net capital and capital adequacy ratio of the Group as of the dates indicated:

(RMB in millions, except percentages)	Regulatory requirement	As of December 31,	
		2019	2018
Net capital:			
Net core tier-one capital		26,298.9	24,199.1
Net tier-one capital		26,298.9	24,199.1
Net capital		29,252.3	26,873.5
Capital adequacy ratio:			
Core tier-one capital adequacy ratio	≥7.5% ⁽¹⁾	10.51%	10.72%
Tier-one capital adequacy ratio	≥8.5% ⁽¹⁾	10.51%	10.72%
Capital adequacy ratio	≥10.5% ⁽¹⁾	11.69%	11.91%

⁽¹⁾ The indicating requirement to be fulfilled before the end of 2018.

7. CAPITAL EXPENDITURES

The capital expenditures of the Group principally comprise expenditures for the purchase of property, equipment and aircraft leasing assets and construction of office building, etc. In 2019, the capital expenditures of the Group amounted to RMB17,435.7 million, which were mainly used for the purchase of aircraft and ships. The Group financed the capital expenditures through cash from operating activities, bank borrowings and net proceeds from the Global Offering.

The following table sets forth the capital expenditures of the Group for the years indicated:

<i>(RMB in millions)</i>	For the year ended December 31,	
	2019	2018
Capital expenditures	17,435.7	19,855.7

8. PLEDGE OF ASSETS

For the year ended December 31, 2019, properties and equipment for operating lease (net) and finance lease receivables of the Group amounting to RMB24,817.1 million and RMB3,557.5 million respectively, were pledged for financing from banks. The total collateral assets as aforesaid accounted for 10.9% of total assets in aggregate.

9. HUMAN RESOURCES

The Group proactively implemented the strategy of “reviving the Company by talents” and valued talents as the precious resources of the Group to achieve tremendous operating results by the top notch talents.

As of December 31, 2019, the Group had 354 employees in total, of which 237 were domestic employees, 117 were employees of overseas aviation subsidiaries. The Group has a team of high-quality talents with good academic qualifications. As of December 31, 2019, approximately 94% of the Group’s employees had bachelor’s degrees or above, while approximately 56% of the Group’s employees had master’s degrees or above.

The Group attaches great importance to talents. The Group comprehensively enhanced the human resources management construction of institutional organization, remuneration management, performance assessment, position and title, training management and talent introduction to lay a sound foundation for the business development. The Group continued to develop the comprehensive and positive incentive system with remuneration incentives as the core, established multi-channels mechanism to introduce talents, effectively enhancing the vitality of human resources. The Group systematically organized the department functions and post functions, consolidated the foundation of scientific and standardized management of human resources management. By developing multi-level training system, the Group organized 184 sessions of training, and commenced the development of human resources management system to effectively realize the informationization management of human resources of the Company.

In 2020, the Group will inherit to the concept of “talents as the first capital” and strive to create a “platform for working and starting a business, a stage for self-realization” to enhance employees’ value through teaching them skills. The Group will uphold the “people-oriented” concept, focusing on enhancing the building of talents team with professionalism, high quality and struggling spirit, especially for selection, usage, education and management of core talents, in order to promote the high-quality development of the Company.

For the years ended December 31, 2019 and December 31, 2018, our staff costs were RMB561.9 million and RMB508.9 million, respectively, which accounted for 3.1% and 3.3%, respectively, in the operating revenue and revenue for other businesses of the Group in the same year.

10. USE OF NET PROCEEDS FROM THE INITIAL PUBLIC OFFERING

The Company was listed on the Hong Kong Stock Exchange on July 11, 2016. The net proceeds of the Company from the Global Offering (including the exercise of over-allotment option, after deducting underwriting commissions and relevant expenses) amounted to HK\$6,125.3 million. The Company used all the proceeds according to the disclosure in the prospectus of the Company dated June 24, 2016.

11. INDUSTRIAL REGULATIONS

In 2019, under the guidance of national policies of enhancement of financial regulation, management of financial market chaos, further containment of operating activities in violation of laws or regulations and deepening financial reform, the Company adhered to the principle of a steady development pace with progress, implemented new development concepts and took the supply-side structural reform as the main task in an effort to enhance the financial service’s capability to serve the real economy and facilitate the compliant and robust operations of the Company with compliance management. Firstly, the Company strived to improve corporate governance by conducting corporate governance assessments and optimizing shareholding structure and equity management. Secondly, the Company achieved coordinated development with plans formulated in advance and developed a two-year plan for the establishment of internal control and compliance system. Thirdly, the Company established an assessment indicator system for internal control and compliance and operational risks to continuously monitor and assess the weak aspects of its internal control mechanism. Fourthly, the Company strengthened the anti-money laundering management, system establishment and staff training, and continued to conduct customer identification. Fifthly, the Company continued to implement case prevention and carry out case risk investigation and warning education to facilitate case prevention into preventing in advance instead of handling after occurrence.

The following table sets forth the main regulatory indicators of the Group under the supervision of the CBIRC as of the date indicated:

	Regulatory requirement	As of December 31, 2019
Capital adequacy ratio	Above 10.5%	11.69%
Tier-one capital adequacy ratio	Above 8.5%	10.51%
Core tier-one capital adequacy ratio	Above 7.5%	10.51%
Degree of concentration of single client financing	Not more than 30%	23.43%
Degree of concentration of single group client financing	Not more than 50%	25.79%
Ratio of a single related client ⁽¹⁾	Not more than 30%	1.78%
Ratio of all related parties ⁽²⁾	Not more than 50%	7.47%
Ratio of a single related Shareholder ⁽³⁾	Not more than 100%	39.80%
Ratio of interbank lending ⁽⁴⁾	Not more than 100%	0
Allowance to non-performing finance lease related assets	Above 150%	269.61%
Allowance to total finance lease related assets ⁽⁵⁾	Above 2.5%	4.27%
Investment in fixed-income securities ⁽⁶⁾	Not more than 20%	0

⁽¹⁾ Calculated by dividing the balance of all finance lease transactions of the Group to a single related party by the net capital of the Group.

⁽²⁾ Calculated by dividing the balance of all finance lease transactions of the Group to all related parties by the net capital of the Group.

⁽³⁾ Calculated by dividing the balance of financing of the Group to a single Shareholder and all its related parties by the amount of contribution made by the Shareholder to the Company.

⁽⁴⁾ Calculated by dividing the balance of interbank funds from borrowing by the net capital of the Group.

⁽⁵⁾ Calculated by dividing allowance for impairment losses on finance lease related assets by total finance lease related assets before allowance for impairment losses.

⁽⁶⁾ Calculated by dividing the amount of fixed-income securities invested by the Group by the net capital of the Group.

Financial leasing is a financial instrument closely linked up with the real economy and has a significant effect on promotion of industrial innovation and upgrade, expansion of small and micro enterprises' financing channels, facilitation of social investment and adjustment to economy structure. In recent years, with the enthusiastic support and motivation of the government authorities, the industrial regulation has been constantly improved and the financial leasing industry has seized new development opportunities. CBIRC indicated that it would direct the financial leasing companies to earnestly implement the idea of innovative, coordinated, green, open and shared development, and to safeguard the bottom line of no occurrence of systematic and regional financial risks, promoting the stable and healthy development of the industry. It will further guide the financial leasing companies to take advantage of their unique features, serve the real economy in the process of industrial upgrading and improve the leasing services with technological means. The Group also proactively responded to the call to strictly defend the bottom line of compliance, prudently conduct business and pay attention to the risk management and control, so as to make a proper contribution to the sound development of the industry.

12. PROSPECTS

In 2020, affected by the interplay of global political and economic factors and the outbreak of the Coronavirus Disease 2019 (COVID-19) in various countries, the economic downturn is estimated to continue throughout the year, while the developed economies and emerging markets will continue to diverge. Although the domestic economy is facing more risks and challenges in view of sudden outbreak of the epidemic, its trend of steady long-term growth remains unchanged. With positive economic fundamentals and vibrancy, Chinese economy will remain the dominant engine of the world's economic development. In respect of the financial market, major central banks in the world will still adopt the policies of “lower interest rates + quantitative easing” for a period of time in the future. As China will also successively introduce relevant measures to promote the steady growth of its economy, it is expected that the domestic investment and consumption will gradually stabilize and may achieve restorative growth after the epidemic, and policies covering infrastructure investment, tax and fees reduction and other aspects will be successively introduced at that time. The Group will keep close track of the changes in policies and situation, make more efforts in study and anticipation and seize the relevant development opportunities after the epidemic to promote the steady growth of its business.

In the coming year, the Group will take the “14th Five-Year” Plan as an opportunity to enhance the study and analysis as well as coordination and planning, continue to consolidate the foundation of professional development and strengthen the first mover advantages of aircraft, ship, inclusive finance and other professional segments, so as to facilitate the development of real economy and constantly improve its market competitiveness and influence. The Group will continue to give play to the advantages of Shareholders, capture the opportunities arising from the remedy of weak links in infrastructural area, focus on key customers and strengthen business collaboration to serve the key areas in China and their development. Meanwhile, the Group will proactively push forward the innovation in business models of new energy, equipment, healthcare as well as environmental protection sectors to diversify its products and businesses and strive to create new business growth drivers. The Company will closely monitor the domestic and global economic situation and the change of risk profile, and strengthen its analysis, research and judgment of region, industry, market and client, so as to propose responsive measures in an effective and timely manner and formulate plan for risk mitigation and disposal, and ultimately to achieve the comprehensive risk control and consolidate the foundation for business development of the Company.

OTHER INFORMATION

Corporate Governance Practice

The Group has committed to maintaining high standard of corporate governance in order to safeguard the interests of Shareholders and enhance corporate value and accountability. The Company has adopted the Corporate Governance Code as its own code of corporate governance. During the year ended December 31, 2019, except for the code provision A.4.2 of the Corporate Governance Code, the Company has been complying with all other applicable code provisions set out in the Corporate Governance Code.

Pursuant to code provision A.4.2 of the Corporate Governance Code, every director should be subject to retirement by rotation at least once every three years. The term of the first session of the Board of Directors and the Board of Supervisors expired on 8 September 2018. As the nomination of candidates for Directors and Supervisors of the second session of the Board of Directors and the Board of Supervisors was still in progress at the beginning of 2019 and the end of the first half of 2019, the election of the Board of Directors and the Board of Supervisors has been postponed to ensure the continuity of the relevant work of the Company. On November 12, 2019, Directors and Supervisors of the new session of the Board of Directors and the Board of Supervisors were elected at the general meeting of the Company, and the terms of each Director and Supervisor also became effective on the same date of the general meeting or upon the obtaining of approval from relevant regulatory authorities. For details, please refer to the announcements or circular of the Company published on the websites of the Hong Kong Stock Exchange and the Company on September 7, 2018, August 16, 2019, August 20, 2019, September 27, 2019, November 12, 2019 and March 2, 2020, respectively. The Company will continue to review and monitor the Company's corporate governance practice to ensure the compliance with the Corporate Governance Code.

Model Code for Securities Transactions by Directors and Supervisors

The Company has formulated the Code of Dealing in Securities of the Company by Directors, Supervisors and Senior Management (《董事、監事和高級管理人員買賣本公司證券守則》) as the code of conduct of the Company's securities transactions carried out by Directors and Supervisors, the terms of which are not less favorable than the Model Code and other relevant laws, regulations and the Articles of Association. After specifically inquiring all Directors and Supervisors, all Directors and Supervisors have confirmed that they have been complying with the required standards as stipulated in the Model Code during the year ended December 31, 2019.

Final Dividend

The Board recommended to distribute a final dividend of RMB1.0458 (tax inclusive) per 10 ordinary Shares for the year ended December 31, 2019, with the total amount of profit distribution amounting to RMB1,322,140,100. The proposed final dividend is subject to the approval of the Shareholders at the forthcoming annual general meeting of the Company and is expected to be paid to the Shareholders within one month after the date of the annual general meeting. Notice of the 2019 annual general meeting will announce the date of the 2019 annual general meeting of the Company and details of relevant book closure, as well as the payment date and the arrangement of book closure for the final dividend.

Off-Market Buy-Back of H Shares and Issue of New Domestic Shares

The Company has (i) bought back 687,024,000 H Shares from Three Gorges Capital Holdings (HK) Co., Ltd at the buy-back price of US\$0.2863 per buy-back Share for cancellation (“**H Share Buy-back**”) and total consideration was US\$196,694,971.20, (ii) issued 687,024,000 domestic Shares to China Three Gorges Corporation at a subscription price of approximately RMB2.0006 per new domestic Share (equal to the RMB equivalent of the H Share buy-back price of US\$0.2863) (“**Domestic Share Issue**”) according to the special resolutions passed on the first extraordinary general meeting of 2019, the first domestic Share class meeting of 2019 and the H Share class meeting of 2019 of the Company held on November 12, 2019. Completion of the H Share Buy-back and completion of the Domestic Share Issue both took place on December 27, 2019. As of the date of this announcement, all buy-back Shares have been cancelled. No net proceeds were derived by the Company from the completion of the H Share Buy-back and of the Domestic Share Issue, and the Company did not recognize any net profit or loss upon completion of those transactions. For details of H Share Buy-back and of the Domestic Share Issue, please refer to the announcement dated September 26, 2019, the circular dated October 2, 2019, announcements dated November 12, 2019 and December 27, 2019 of the Company.

Purchase, Sale or Redemption of Listed Securities

During the year ended December 31, 2019, save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of listed securities of the Company.

Review of Annual Results

The consolidated financial statements for the year ended December 31, 2019 of the Group were audited by Ernst & Young. The audit committee of the Board has also reviewed the audited annual results of the Group for the year ended December 31, 2019. The figures in respect of the Group’s results for the year ended December 31, 2019 as set out in this annual results announcement have been agreed by the auditor of the Company, Ernst & Young, to be consistent with the amounts set out in the Group’s audited consolidated financial statements for the year ended December 31, 2019.

Publication of Annual Report

The annual report of the Company for the year ended December 31, 2019 will be published on the website of the Company (www.cdb-leasing.com) and HKEX news website of the Hong Kong Stock Exchange (www.hkexnews.hk) in due course.

FINANCIAL STATEMENTS AND MATERIAL NOTES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

(Amounts in thousands of RMB, unless otherwise stated)

	Year ended 31 December	
	2019	2018
Revenue		
Finance lease income	8,287,442	7,036,316
Operating lease income	8,236,710	6,584,804
Total revenue	16,524,152	13,621,120
Net investment gains	220,355	211,662
Other income, gains or losses	1,598,730	1,708,528
Total revenue and other income	18,343,237	15,541,310
Depreciation and amortisation	(3,738,448)	(2,989,253)
Staff costs	(561,884)	(508,889)
Fee and commission expenses	(53,912)	(74,559)
Interest expense	(7,167,284)	(6,863,247)
Other operating expenses	(791,761)	(538,049)
Net impairment losses on financial assets	(1,086,571)	(992,118)
Net impairment losses on other assets	(950,616)	(300,974)
Total expenses	(14,350,476)	(12,267,089)
Profit before tax	3,992,761	3,274,221
Income tax expense	(1,054,636)	(767,237)
Profit for the year attributable to owners of the Company	2,938,125	2,506,984
Earnings per share attributable to owners of the Company <i>(expressed in RMB Yuan)</i>		
– Basic	0.23	0.20
– Diluted	0.23	0.20

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

(Amounts in thousands of RMB, unless otherwise stated)

	Year ended 31 December	
	2019	2018
Profit for the year	2,938,125	2,506,984
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Gains/(losses) on financial assets at fair value through other comprehensive income, net of tax	(13,476)	24,243
Gains/(losses) on cash flow hedges, net of tax	(450,820)	(192,636)
Currency translation differences	<u>120,463</u>	<u>289,309</u>
Total other comprehensive income for the year, net of tax	<u>(343,833)</u>	<u>120,916</u>
Total comprehensive income for the year attributable to owners of the Company	<u><u>2,594,292</u></u>	<u><u>2,627,900</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

(Amounts in thousands of RMB, unless otherwise stated)

	As at 31 December 2019	2018
ASSETS		
Cash and bank balances	21,528,292	23,497,845
Placement to banks and other financial institutions	–	500,000
Financial assets at fair value through profit or loss (FVTPL)	148,774	1,919,055
Derivative financial assets	32,425	36,877
Assets held-for-sale	1,585,803	1,324,969
Financial assets at fair value through other comprehensive income (FVOCI)	–	495,740
Accounts receivable	2,168,454	5,405,652
Finance lease receivables	141,498,088	125,141,605
Prepayments	14,820,598	12,332,839
Investment properties	990,374	1,075,266
Property and equipment	73,260,791	63,038,585
Right-of-use assets	604,509	–
Deferred tax assets	1,428,924	1,088,172
Other assets	3,233,636	2,210,381
Total assets	261,300,668	238,066,986
Liabilities		
Borrowings	174,135,636	157,186,898
Financial assets sold under repurchase agreements	–	880,000
Derivative financial liabilities	789,218	282,711
Accrued staff costs	303,967	249,855
Bonds payable	42,811,268	38,596,346
Tax payable	576,568	440,571
Lease liabilities	626,523	–
Deferred tax liabilities	827,334	614,081
Other liabilities	15,560,912	15,613,494
Total liabilities	235,631,426	213,863,956

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)*As at 31 December 2019**(Amounts in thousands of RMB, unless otherwise stated)*

	As at 31 December	
	2019	2018
Equity		
Share capital	12,642,380	12,642,380
Capital reserve	2,418,689	2,418,689
Hedging and fair value reserve	(641,994)	(177,698)
Translation reserve	293,648	173,185
General reserves	4,544,432	4,042,728
Retained earnings	6,412,087	5,103,746
Total equity	25,669,242	24,203,030
Total liabilities and equity	261,300,668	238,066,986

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

(Amounts in thousands of RMB, unless otherwise stated)

	Attributable to the equity holders of the Company						
	Share capital	Capital reserve	Hedging and fair value reserve	Translation reserve	General reserves	Retained earnings	Total equity
As at 1 January 2019	12,642,380	2,418,689	(177,698)	173,185	4,042,728	5,103,746	24,203,030
Profit for the year	–	–	–	–	–	2,938,125	2,938,125
Other comprehensive income for the year	–	–	(464,296)	120,463	–	–	(343,833)
Total comprehensive income for the year	–	–	(464,296)	120,463	–	2,938,125	2,594,292
Dividends paid	–	–	–	–	–	(1,128,080)	(1,128,080)
Appropriation to general reserves	–	–	–	–	501,704	(501,704)	–
As at 31 December 2019	<u>12,642,380</u>	<u>2,418,689</u>	<u>(641,994)</u>	<u>293,648</u>	<u>4,544,432</u>	<u>6,412,087</u>	<u>25,669,242</u>
As at 1 January 2018	12,642,380	2,418,689	(9,305)	(116,124)	3,188,170	4,418,388	22,542,198
Profit for the year	–	–	–	–	–	2,506,984	2,506,984
Other comprehensive income for the year	–	–	(168,393)	289,309	–	–	120,916
Total comprehensive income for the year	–	–	(168,393)	289,309	–	2,506,984	2,627,900
Dividends paid	–	–	–	–	–	(967,068)	(967,068)
Appropriation to general reserves	–	–	–	–	854,558	(854,558)	–
As at 31 December 2018	<u>12,642,380</u>	<u>2,418,689</u>	<u>(177,698)</u>	<u>173,185</u>	<u>4,042,728</u>	<u>5,103,746</u>	<u>24,203,030</u>

CONSOLIDATED STATEMENT OF CASH FLOWS*For the year ended 31 December 2019**(Amounts in thousands of RMB, unless otherwise stated)*

	Year ended 31 December	
	2019	2018
OPERATING ACTIVITIES		
Profit before tax	3,992,761	3,274,221
Adjustments for:		
Bonds payable interest expense	1,665,514	1,244,488
Lease liabilities interest expense	19,327	—
Depreciation and amortisation	3,738,448	2,989,253
Net impairment losses on financial assets	1,086,571	992,118
Net impairment losses on other assets	950,616	300,974
Amortisation income of lease discount liabilities	(67,245)	—
Gains on disposal of equipment held for operating lease businesses	(533,089)	(651,418)
Losses on disposal of property and equipment held for administrative purposes	154	—
Gains on disposal of finance lease receivables	(175,938)	(8,839)
Gains on disposal of subsidiaries	(19,747)	—
Realised losses from derivatives	241	—
Realised gains from FVTPL	(282,643)	(8,961)
Realised gains from FVOCI	(1,488)	(75,757)
Unrealised fair value changes in derivatives	17,138	(4,613)
Unrealised fair value changes in FVTPL	242,082	(113,492)
Operating cash flows before movements in working capital	10,632,702	7,937,974
Decrease/(increase) in mandatory reserve deposits with central bank	17,847	(71,463)
Decrease in accounts receivable	3,145,455	787,028
Increase in finance lease receivables	(17,356,426)	(28,297,989)
Increase in other assets	(735,729)	(380,979)
Increase in borrowings	16,080,025	40,941,793
Decrease in financial assets sold under repurchase agreements	(880,000)	(1,150,000)
Increase in accrued staff costs	54,112	89,349
(Decrease)/increase in other liabilities	(59,980)	3,889,786
Cash inflow from operating activities	10,898,006	23,745,499
Income taxes paid	(995,314)	(802,691)
NET CASH INFLOW FROM OPERATING ACTIVITIES	9,902,692	22,942,808

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)*For the year ended 31 December 2019**(Amounts in thousands of RMB, unless otherwise stated)*

	Year ended 31 December	
	2019	2018
INVESTING ACTIVITIES		
Change in pledged and restricted bank deposits	3,522,024	(4,346,891)
Purchase of FVOCI	–	(1,845,922)
Purchase of FVTPL	–	(675,410)
Proceeds from disposal/maturity of FVTPL	1,782,402	896,128
Proceeds from disposal/maturity of FVOCI	701,425	1,717,799
Proceeds from disposal of property and equipment	4,204,247	7,301,667
Purchase of property and equipment	(20,365,075)	(26,015,684)
Proceeds from disposal of subsidiaries	17,928	–
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(10,137,049)	(22,968,313)
FINANCING ACTIVITIES		
Proceeds from issue of bonds payable	8,977,833	8,679,659
Repayments of bonds payable	(5,007,581)	(3,500,000)
Bonds issuance cost	(21,958)	(130,946)
Bonds interest paid	(1,645,278)	(1,241,856)
Dividends paid	(1,128,080)	(973,397)
Decrease in lease liabilities	(94,275)	–
NET CASH INFLOW FROM FINANCING ACTIVITIES	1,080,661	2,833,460
NET INCREASE IN CASH AND CASH EQUIVALENTS	846,304	2,807,955
Effects of foreign exchange changes	224,013	564,464
Cash and cash equivalents at beginning of the year	18,375,210	15,002,791
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	19,445,527	18,375,210
NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:		
Interest received	8,760,567	7,393,296
Interest paid, exclusive bonds payable interest expenses	(5,666,214)	(4,841,388)
Net interest received	3,094,353	2,551,908

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of RMB, unless otherwise stated)

1 GENERAL INFORMATION AND PRINCIPAL ACTIVITIES

China Development Bank Financial Leasing Co., Ltd. (the “**Company**”) was established as Shenzhen Leasing Co., Ltd. (深圳租賃有限公司) on 25 December 1984, with the approval of the former Shenzhen Special Economic Zone Branch of People’s Bank of China (“**PBOC**”), and subsequently renamed as Shenzhen Finance Leasing Co., Ltd. (深圳金融租賃有限公司) after reorganisation in December 1999. In 2008, China Development Bank Co., Ltd. (“**China Development Bank**”) became the controlling shareholder of the Company, and the Company’s total paid-in capital was increased to RMB8,000,000,000 and subsequently, the Company changed its name to CDB Leasing Co., Ltd. (國銀金融租賃有限公司). On 8 September 2015, pursuant to the resolution of shareholders’ meeting, the Company’s total paid-in capital was increased to RMB9,500,000,000. Pursuant to the approval of China Banking and Insurance Regulatory Commission (the “**CBIRC**”), the Company became a joint stock company by issuing a total of 9,500,000,000 shares to the existing shareholders at par value of RMB1 each, representing 100% of share capital of the Company on 28 September 2015 (the “**Financial Restructuring**”). On the same day, the Company also changed its name to China Development Bank Financial Leasing Co., Ltd. (國銀金融租賃股份有限公司). The registered address of the Company’s office is CDB Financial Centre, No. 2003 Fuzhong Third Road, Futian District, Shenzhen, Guangdong Province, the People’s Republic of China (“**PRC**”).

On 11 July 2016, the Company issued 3,100,000,000 new ordinary shares at the issue price of HK\$2 each by way of initial public offering. The gross proceeds amounted to HK\$6.2 billion. On the same day, the Company’s shares were listed on The Stock Exchange of Hong Kong Limited (the “**Listing**”). On 29 July 2016, the Company announced that the Over-allotment Option was partially exercised in respect of an aggregate of 42,380,000 new ordinary shares with an additional gross proceeds of HK\$84.76 million.

On 27 December 2019, the Company repurchased and then cancelled 687,024,000 H share at the price of US\$0.2863 per share from Three Gorges Capital Holdings (HK) Co., Ltd (三峽資本控股(香港)有限公司); Meanwhile, the Company issued 687,024,000 non-tradable domestic stocks to China Three Gorges Corporation Co., Ltd (中國長江三峽集團有限公司) at the same price as the repurchased price. These changes have no effect on the total share capital of the Company.

The Company and its subsidiaries (the “**Group**”) are principally engaged in leasing business, import and export trade for leasing equipment and commodities, lease-related financial business and foreign exchange trade on behalf of clients.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standard Board (IASB), and the disclosure requirements of the Hong Kong Companies Ordinance.

Financial assets and financial liabilities at fair value through profit or loss (including derivative financial instruments) and financial assets at fair value through other comprehensive income are measured at their fair values in the consolidated financial statements. Assets that meet the criteria to be classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Other accounting items are measured at their historical costs. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company, and all values are rounded to the nearest thousands, except when otherwise indicated.

2.2 New and amended standards and interpretations

2.2.1 New and amended standards and interpretations have been adopted

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of new standards effective as of 1 January 2019.

Amendments to IFRS 9	<i>Prepayment Features with Negative Compensation</i>
IFRS 16	<i>Leases</i>
Amendments to IAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
IFRIC Interpretation 23	<i>Uncertainty over Income Tax Treatments</i>
Annual Improvements 2015-2017 Cycle	<i>Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23</i>

Other than as explained below regarding the impact of IFRS 16 Leases, the new and revised standards did not have any material impact relevant to the preparation of the Group's consolidated financial information. The nature and impact of the new and revised IFRSs are described below:

(a) Adoption of IFRS 16

IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC 15 Operating Leases – Incentives and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in IAS 17.

For a sublease arrangement, the classification of the sublease is made by reference to the right-of-use asset arising from the head lease, instead of by reference to the underlying asset.

IFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under IAS 17.

New definition of a lease

Under IFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16

The Group has lease contracts mainly on aircraft and properties. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less (“**short-term leases**”) (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and are included in lease liabilities.

The right-of-use assets were measured at the amount of the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on IAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The impacts arising from the adoption of IFRS 16 as at 1 January 2019 are as follows:

Assets

Increase in right-of-use assets	<u>187,077</u>
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Liabilities

Increase in lease liabilities	<u>187,077</u>
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The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

Operating lease commitments as at 31 December 2018	274,757
Less: Commitments relating to short-term leases and those leases with remaining lease term ended on or before 31 December 2019	8,009
Commitments relating to leases of low-value assets	42
Add: Payments for optional extension periods not recognised as at 31 December 2018	945
Subtotal:	8,996
Weighted average incremental borrowing rate as at 1 January 2019	4.44%
Lease liabilities as at 1 January 2019	187,077

2.2.2 Standards, amendments and interpretations that are not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

		Effective for annual periods beginning on or after
IFRS 3 Amendments	<i>Definition of a Business</i>	1 January 2020
IAS 1 and IAS 8 Amendments	<i>Definition of Material</i>	1 January 2020
Amendments to IFRS 9, IAS 39 and IFRS 7	<i>Interest Rate Benchmark Reform</i>	1 January 2020
IFRS 10 and IAS 28 Amendments	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Effective date has been deferred indefinitely

Amendments to IFRS 3: Definition of a Business

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to IAS 1 and IAS 8: Definition of Material

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of ‘material’ across the standards and to clarify certain aspects of the definition. The new definition states that, ‘Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.’

The amendments to the definition of material are not expected to have a significant impact on the Group’s consolidated financial statements.

Amendments to IFRS 9, IAS 39 and IFRS 7

Amendments to IFRS 9, IAS 39 and IFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments are effective for annual periods beginning on or after 1 January 2020. Early application is permitted. The amendments are not expected to have any significant impact on the Group’s consolidated financial statements.

Amendments to IFRS 10 and IAS 28

The amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor’s profit or loss only to the extent of the unrelated investor’s interest in that associate or joint venture.

2.3 Changes in accounting estimates

The Group has resolved to change the estimated useful lives and residual values of certain operating lease aircraft assets to better reflect the introduction of new aircraft engine technology and to more closely align our accounting estimates with those of our aircraft lessor peers and with common industry practice. The estimated useful lives and residual values of different types of aircraft assets are set out below:

Type of aircraft	Accounting estimate before change		Accounting estimate after change	
	Estimated useful life	Residual Value	Estimated useful life	Residual Value
New technology narrow-body aircraft	20	15%	25	15%
New technology wide-body aircraft	<u>20</u>	<u>15%</u>	<u>25</u>	<u>15%</u>
BFE (<i>Note</i>)	20	15%	Lease term	—
Current technology wide-body and narrow-body aircraft	<u>20</u>	<u>15%</u>	<u>20</u>	<u>15%</u>

Note: The cost of Buyer Furnished Equipment (“BFE”) for new technology wide-body aircraft is considered to be sufficiently significant that it should be depreciated separately. The useful life of the BFE is primarily determined by the requirement of the current aircraft operator and may have little or no value to any subsequent lessee. Accordingly, new technology wide-body aircraft BFE was depreciated over the life of the lease to a residual value of zero.

The above changes in accounting estimates were implemented with effect from 1 January 2019. The changes in accounting estimates were adopted prospectively with no retrospective adjustment required. There is therefore no impact on the historical financial position or operating results of the Group. Following these changes in estimates, the depreciation charged for 2019 relating to new technology aircraft that was recorded in the statement of financial position as of the end of 2018 decreased by RMB73.2 million. The depreciation charged for 2019 relating to new technology aircraft delivered in 2019 decreased by RMB26.7 million. In total, the profit of the Group in 2019 increased by RMB99.9 million as a result of this change.

2.4 Revenue recognition

Revenue, is measured at the fair value of the consideration received or receivable, and represents the amounts receivable for goods or services provided in the normal course of business. Revenue is shown net of value-added tax. Specific revenue recognition criteria are set out below:

- Operating lease income is recognised on a straight-line basis over the term of the relevant lease;
- Finance lease income is recognised as revenue in each period according to the effective interest rate method during the lease term;
- Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition;
- Other income mainly includes consultancy fee income, management and commission fee income and gains on disposal of equipment held for operating lease business. Consultancy fee income is recognised in accordance with the terms of the contract when the relevant services have been rendered. Management and commission fee income is recognised in accordance with the management service contracts and by reference to the agreed rate of management fee on a daily basis. Gains on disposal of equipment held for operating leasing business is recognised as income when control of the related equipment has transferred, being when the equipment is delivered to the buyer and there is no unfulfilled obligation that could affect the buyer's acceptance of the equipment.

2.5 Leases (Policy applicable before 1 January 2019)

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

2.5.1 The Group as lessee under operating leases

Operating lease payments are recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred are charged to profit or loss for the period. Contingent rentals under operating lease are recognised as expenses in the periods in which they are incurred.

2.5.2 The Group as lessor under operating leases

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs with more than an insignificant amount are capitalised when incurred, and are recognised in profit or loss on the same basis as rental income over the lease term. Other initial direct costs with an insignificant amount are charged to profit or loss in the period in which they are incurred.

2.5.3 The Group as lessor under finance leases

At the commencement of the lease term, the aggregate of the minimum lease receivable at the inception of the lease and the initial direct costs is recognised as a finance lease receivable, and the unguaranteed residual value is recorded at the same time. The difference between the aggregate of the minimum lease receivable, the initial direct costs and the unguaranteed residual value, and the aggregate of their present values is recognised as unearned finance income.

Unearned finance income is recognised as finance income using the effective interest method over the lease term. Contingent rentals under finance lease are recognised as revenue in the periods in which they are incurred.

2.6 Leases (Policy applicable from 1 January 2019)

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

2.6.1 Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial

direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term as follows:

	Lease term
Properties	15 – 229 months
Aircraft	134 months

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of office buildings and parking spaces (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

2.6.2 Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Lease in which the Group transfers substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are classified as finance lease. At the commencement of the lease term, the aggregate of the minimum lease receivable at the inception of the lease and the initial direct costs is recognised as a finance lease receivable, and the unguaranteed residual value is recorded at the same time. The difference between the aggregate of the minimum lease receivable, the initial direct costs and the unguaranteed residual value, and the aggregate of their present values is recognised as unearned finance income.

Unearned finance income is recognised as finance income using the effective interest method over the lease term. Contingent rentals under finance lease are recognised as revenue in the periods in which they are incurred.

When the Group is an intermediate lessor, a sublease is classified as a finance lease or operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the on-balance sheet recognition exemption, the Group classifies the sublease as an operating lease.

In many aircraft operating leases, the lessee has the obligation to make periodic payments that are calculated based on the utilization of airframes, engines and other major life-limited components (supplemental amounts). In such leases, upon the lessee presenting invoices evidencing the completion of qualifying maintenance on the aircraft, the Group reimburses the lessee for the cost of the maintenance, up to a maximum of the supplemental amounts received with respect to such work unless otherwise indicated in the lease. The Group recognises the periodic payments as maintenance deposits from lessees in other liabilities.

2.7 Property and equipment

Property and equipment include buildings, computer and electronic equipment, motor vehicles, office equipment, and leasehold improvements held by the Group for administrative purpose (other than properties under construction as described below), and aircraft, ships, and special equipment held for operating lease businesses. Property and equipment are stated in the statements of financial position at historical cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is recognised so as to write off the cost of items of property and equipment, other than construction in progress, less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress is carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

When aircraft with in-place leases are purchased, the Group identifies, measures and accounts for lease premium assets/lease discount liabilities, and maintenance right assets arising from the acquired in-place lease contracts.

Lease premium assets/lease discount liabilities represent the value of acquired leases with contractual rent payments that are materially above or below the market lease rentals at the date of acquisition. Lease rate premium assets/lease rate discount liabilities are amortised on a straight-line basis over the remaining lease term and recorded as a component of depreciation and amortisation, and are presented under other assets or other liabilities, respectively.

Maintenance right assets represent the fair value of the contractual rights under acquired, in-place, leases to receive an aircraft in an improved maintenance condition as compared to the physical maintenance condition of the aircraft at the acquisition date. The amortisation of the maintenance right assets is triggered by maintenance events. Following a qualifying maintenance event, a portion of the cost relating to the event is capitalised to aircraft cost and is then depreciated in accordance with the Group's depreciation policy. On lease termination, any remaining maintenance right asset is offset against maintenance deposits from lessees or end of lease compensation, and any excess is recognised into profit or loss as other income.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The estimated residual value rates and useful lives of each class of property and equipment held by the Group for administrative purpose are as follows:

	Estimated residual value rates	Estimated useful life
Buildings	5%	20 – 40 years
Computers and electronic equipment	5%	3 – 5 years
Motor vehicles	5%	5 – 6 years
Office equipment	5%	3 – 5 years
Leasehold improvements	0%	2 – 10 years

The estimated residual value rates and useful lives of each class of equipment held for operating lease businesses of the Group are as follows:

	Estimated residual value rates	Estimated useful life
Aircraft	0 – 15%	7 – 25 years
Ships	10%	20 years
Special equipment	5%	10 years

2.8 Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

2.8.1 Determination of fair value

Some of the Group's financial assets and liabilities are measured at fair value or with fair value disclosed for financial reporting purposes. The board of directors of the Company has set up certain process to determine the appropriate valuation techniques and inputs for fair value measurements. The appropriateness of the process and the determination of fair value are reviewed by the board of directors periodically.

The fair value of financial instruments with quoted prices for identical instruments is determined by the open market quotations. And those instruments are classified as level 1. As level 2, the fair values have been determined based on present values and the discount rates used were adjusted for counterparty or own credit risk.

The Group uses valuation techniques to determine the fair value of financial instruments when it is unable to obtain the open market quotation in active markets, including:

- for interest rate swaps – the present value of the estimated future cash flows based on observable yield curves;
- for currency forwards – present value of future cash flows based on forward exchange rates at the balance sheet date;
- for foreign currency options – option pricing models (e.g. Black Scholes model); and
- for other financial instruments – discounted cash flow analysis.

The main parameters used in discounted cash flow model include recent transaction prices, relevant interest yield curves, foreign exchange rates, prepayment rates and counterparty credit spreads.

If those parameters used in valuation techniques for financial instruments held by the Group, which are substantially observable and obtainable from active open market, the instruments are classified as level 2.

For certain financial instruments, such as unlisted equity investments, are classified as level 3. The valuation of the unlisted equity investments is based on comparing comparable listed companies in operating and financial index and then adjusted for non-liquidity.

2.8.2 Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or expense over the period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount on initial recognition. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and costs paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

2.8.3 Classification, recognition and measurement of financial assets

The Group classifies financial assets as subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

Financial assets at amortised cost

A financial asset shall be measured at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Such financial assets that the Group holds are subsequently measured at amortised cost, which mainly include finance lease receivables, advances for finance lease projects as well as other debt investment.

The amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and adjusted for any loss allowance.

Financial assets at fair value through other comprehensive income

A financial asset shall be measured at fair value through other comprehensive income if both of the following conditions are met:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Such financial assets are subsequently measured at fair value. A gain or loss on a financial asset measured at fair value through other comprehensive income shall be recognised in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the financial asset is derecognised the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss. Expected credit losses of such financial assets shall be recognised in other comprehensive income. The impairment gain or loss shall not adjust the carrying amount of such financial assets item and be recognised in profit or loss.

Financial assets at fair value through profit or loss

A financial asset shall be measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income, which mainly include equity investments.

Such financial assets that the Group holds are subsequently measured at fair value. A gain or loss on a financial asset that is measured at fair value shall be recognised in profit or loss unless it is part of a hedging relationship. Qualified dividends generated by such equity instruments, which the Group is entitled to collect, shall be recognised in the statement of profit or loss.

Equity instruments

The Group may, at initial recognition, irrevocably designate an equity instrument, except a trading equity instrument as a financial asset measured at fair value through other comprehensive income when it meets the definition of equity instruments under IAS 32 Financial Instruments: Presentation. When the equity instrument is derecognised the cumulative gain or loss previously recognised in other comprehensive income shall be reclassified from fair value reserve to retained earnings under equity. Qualified dividends generated by such equity instruments, which the Group is entitled to collect, shall be recognised in the statement of profit or loss. Such equity instruments do not recognise impairment losses.

2.8.4 Impairment of financial assets

On the financial reporting date, the Group evaluates and confirms the relevant impairment allowances to financial assets measured at amortised cost, debt instruments measured at fair value through other comprehensive income, and loan commitments and financial guarantee contracts on the basis of expected credit losses.

The expected credit losses (“ECL”) is a weighted average of credit losses on financial instruments weighted at the risk of default. Credit loss is the difference between all receivable contractual cash flows according to the contract and all cash flows expected to be received by the Group discounted to present value at the original effective interest rate, i.e. the present value of all cash shortfalls.

According to the changes of credit risk of financial instruments since the initial recognition, the Group calculates the ECL by three stages:

- Stage 1: The financial instruments without significant increases in credit risk after initial recognition are included in Stage 1 to calculate their impairment allowance at an amount equivalent to the ECL of the financial instruments for the next 12 months;
- Stage 2: Financial instruments that have had a significant increase in credit risk since initial recognition but have no objective evidence of impairment are included in Stage 2, with their impairment allowance measured at an amount equivalent to the ECL over the lifetime of the financial instruments;
- Stage 3: Financial assets with objective evidence of impairment at the financial reporting date are included in Stage 3, with their impairment allowance measured at the amount equivalent to the ECL over the lifetime of the financial instruments.

If, at the financial reporting date, the financial instrument, whose impairment provision was measured at lifetime ECL, no longer belongs to the situation of there being a significant increase in credit risk since initial recognition, the Group will measure the impairment allowance of the financial instruments on the financial reporting date at 12-month ECL.

For purchased or originated credit-impaired financial assets, the Group only recognises the lifetime cumulative change in expected credit losses after initial recognition on the financial reporting date as impairment allowance. On each financial reporting date, the Group recognises the amount of the changes in expected credit losses as an impairment loss or gain in profit or loss.

The Group shall measure ECL of a financial instrument in a way that reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

When measuring ECL, an entity need not necessarily identify every possible scenario. However, the Group shall consider the risk or probability that a credit loss occurs by reflecting the possibility that a credit loss occurs and the possibility that no credit loss occurs, even if the possibility of a credit loss occurring is very low.

The Group conducted an assessment of ECL according to forward-looking information and used complex models and a large number of assumptions in its expected measurement of credit losses. These models and assumptions relate to the future macroeconomic conditions and borrower's creditworthiness (e.g., the likelihood of default by borrowers and the corresponding losses). The Group adopts judgement, assumption and estimation techniques in order to measure ECL according to the requirements of accounting standards such as:

- Criteria for judging significant increases in credit risk;
- Definition of credit-impaired financial asset;
- Parameters of the ECL measurement;
- Forward-looking information;
- Modification of contractual cash flows.

Definition of credit-impaired financial asset

The standard adopted by the Group to determine whether a credit impairment occurs under IFRS 9 is consistent with the internal credit risk management objectives of the relevant financial instrument. When the Group assesses whether the credit impairment of debtors occurred, the following factors are mainly considered:

- Significant financial difficulty of the issuer or the debtor;
- Debtors are in breach of contract, such as defaulting on interest or becoming overdue on interest or principal payments overdue;
- The creditor of the debtor, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession that the creditor would not otherwise consider;
- It is becoming probable that the debtor will enter bankruptcy or other financial restructuring;
- The disappearance of an active market for that financial asset because of financial difficulties;
- The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses; and
- Overdue information.

The credit impairment on a financial asset may be caused by the combined effect of multiple events and may not be necessarily due to a single event. For credit-impaired financial assets, the Group evaluate the future cash flow (including the recoverable value of the collateral held), mainly based on individual financial instruments, in different circumstances and accrue the differences between the present value and the book value determined at the original effective interest rate as impairment loss or gain in profit or loss.

Parameters of the ECL measurement

According to whether there is a significant increase in credit risk and whether there is an impairment of assets, the Group measures the impairment loss for different assets with ECL of 12 months or the entire lifetime respectively. The key measuring parameters of the ECL include probability of default (PD), loss given default (LGD) and exposure at default (EAD). Based on the requirement of IFRS 9, the Group takes into account the quantitative analysis of historical statistics (such as ratings of counterparties) and forward-looking information in order to establish the models of PD, LGD and EAD.

2.8.5 Transfer of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises the financial liability for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

If a part of the transferred financial asset qualifies for derecognition, the carrying amount of the transferred financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the respective fair values of those parts. The difference between (i) the carrying amount allocated to the part derecognised; and (ii) the sum of the consideration received and receivable for the part derecognised, is recognised in profit or loss.

2.8.6 Classification, recognition and measurement of financial liabilities

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

On initial recognition, the Group's financial liabilities are generally classified into financial liabilities at FVTPL or other financial liabilities.

Financial liabilities at fair value through profit or loss

Financial liabilities at FVTPL have two subcategories, including financial liabilities held for trading and those designated as at FVTPL on initial recognition.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Other financial liabilities

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with gain or loss arising from derecognition or amortization recognised in profit or loss.

2.8.7 Derecognition of financial liabilities

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

An agreement between the Group (an existing borrower) and an existing lender to replace the original financial liability with a new financial liability with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

2.9 Derivatives financial instruments and hedge accounting

2.9.1 Initial recognition and subsequent measurement

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment;

- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment; or
- Hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is “an economic relationship” between the hedged item and the hedging instrument.
- The effect of credit risk does not “dominate the value changes” that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

2.9.2 Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The amounts accumulated in other comprehensive income are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in other comprehensive income for the period. This also applies where the hedged forecast transaction of a nonfinancial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in other comprehensive income is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in other comprehensive income must remain in accumulated other comprehensive income if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated other comprehensive income must be accounted for depending on the nature of the underlying transaction as described above.

3 TOTAL REVENUE

	Year ended 31 December	
	2019	2018
Finance lease income ⁽¹⁾	8,287,442	7,036,316
Operating lease income	8,236,710	6,584,804
	<u>16,524,152</u>	<u>13,621,120</u>

(1) The Group recognised finance lease income of approximately RMB29,659,000 and RMB36,976,000 from non-performing finance lease receivables for the years of 2019 and 2018, respectively.

4 NET INVESTMENT GAINS

	Year ended 31 December	
	2019	2018
Realised gains from financial assets at fair value through other comprehensive income	1,488	75,757
Realised gains from financial assets at fair value through profit or loss	282,643	8,961
Realised gains from disposal of finance lease receivables	175,938	8,839
Realised losses from derivatives	(241)	—
Realised gains from disposal of subsidiaries	19,747	—
Unrealised fair value change of derivatives	(17,138)	4,613
Unrealised fair value change of financial assets at fair value through profit or loss	<u>(242,082)</u>	<u>113,492</u>
	<u>220,355</u>	<u>211,662</u>

5 OTHER INCOME, GAINS OR LOSSES

	Year ended 31 December	
	2019	2018
Interest income from deposits with financial institutions	473,125	356,980
Gains on disposal of assets held for operating lease businesses, net	533,089	651,418
Government grants and incentives ⁽¹⁾	339,606	469,732
Management and commission fee income	194,311	25,349
Foreign exchange gains, net	38,606	144,409
Others	19,993	60,640
	1,598,730	1,708,528

- (1) Government grants and incentives are granted pursuant to the relevant taxation policies of the Ministry of Finance and the State Administration of Taxation, as well as the fiscal and tax preferential policies of the Shanghai Free Trade Zone, the Dongjiang Free Trade Port Zone of Tianjin, and the Xiangyu Free Trade Zone of Xiamen. Such grants have been recognised as income when received.

Pursuant to relevant documents published by Shenzhen government in China, the Group received government grants and incentives from Shenzhen Government in the years of 2019 and 2018, respectively for encouraging the development of the financial industry. Such grants have been recognised as income when received.

Pursuant to “Detailed Rules for the Implementation of Suggestions on the Development of the Financial Industry in Shenzhen” (Shen Fu [2009] No. 6), financial institutions are eligible for government grants for newly purchased or constructed headquarters office space for its own use (including the related business premises) if they are headquartered in Shenzhen. Subsidies equal to 30% of land use right price (including surcharge fees) will be granted by the municipal government. The Company received government grants and incentives from Shenzhen Government in 2011. Such grant has been amortised and recognised as income using the straight-line method over the estimated useful lives of land use rights.

6 INTEREST EXPENSE

	Year ended 31 December	
	2019	2018
Borrowings	5,860,110	5,805,847
Bonds payable	1,665,514	1,244,488
Due to banks and other financial institutions	47,859	120,463
Financial assets sold under repurchase agreements	20,056	54,173
Deposits from lessees	1,610	2,170
Others	29,536	8,102
Less: Interest capitalised on qualifying assets ⁽¹⁾	(457,401)	(371,996)
	7,167,284	6,863,247

- (1) Interest capitalised on qualifying assets in 2019, included RMB457,401,000 (2018: RMB361,175,000) on prepayment and nil on construction in progress (2018: RMB10,821,000).

7 INCOME TAX EXPENSE

	Year ended 31 December	
	2019	2018
Current income tax		
– PRC enterprise income tax	1,117,523	778,500
– Income tax in other countries	221	5,656
Deferred income tax	(76,674)	(41,940)
Under provision in prior year	13,566	25,021
	<u>1,054,636</u>	<u>767,237</u>

The applicable enterprise income tax rate are 25% for the Company and all its subsidiaries established in mainland China, 16.5% for subsidiaries in Hong Kong, and 12.5% for subsidiaries in Ireland. Tax arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The reconciliation between the income tax expense at the statutory tax rate of 25% and the effective tax rate is as follows:

	Year ended 31 December	
	2019	2018
Profit before tax	3,992,761	3,274,221
Tax at the statutory tax rate of 25%	998,190	818,555
Tax effect of expenses not deductible for tax purpose	26,363	33,063
Under provision in prior year	13,566	25,021
Tax effect of deductible losses not recognised	38,126	6,232
Deductible temporary difference not recognised	29,332	–
Effect of different tax rates of group entities operating in jurisdictions other than PRC	(37,232)	(115,634)
Others	(13,709)	–
Income tax expense for the year	<u>1,054,636</u>	<u>767,237</u>

8 EARNINGS PER SHARE

The calculation of basic earnings per share is as follows:

	Year ended 31 December	
	2019	2018
Earnings:		
Profit attributable to owners of the Company (<i>RMB '000</i>)	2,938,125	2,506,984
Number of shares:		
Weighted average number of shares in issue (<i>'000</i>)	12,642,380	12,642,380
Basic earnings per share (<i>RMB Yuan</i>)	0.23	0.20

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the years ended 31 December 2019 and 2018, respectively.

Diluted earnings per share is the same as basic earnings per share due to the absence of dilutive potential ordinary share in the years of 2019 and 2018, respectively.

9 ACCOUNTS RECEIVABLE

	31 December 2019	31 December 2018
Operating lease receivables ⁽¹⁾	700,070	717,853
Advances for finance lease projects ⁽²⁾	2,215,659	5,338,291
Other accounts receivable	7,478	12,083
	2,923,207	6,068,227
Less: Allowances for impairment losses		
– Allowances for operating lease receivables	(34,010)	(3,642)
– Allowances for advances for finance lease projects	(720,743)	(658,933)
	(754,753)	(662,575)
	2,168,454	5,405,652

(1) The operating lease receivables of the Group were accrued on a straight-line basis over the term of the relevant leases and settled periodically based on the payment terms agreed in the lease contracts. There were no material overdue operating lease receivables as at 31 December 2019 and 2018, respectively.

(2) The advances for finance lease projects arise from situations where the Group has already made payments to lessees but the leased assets are under construction and the Group does not obtain the ownership of such leased assets. Relevant contracts will take effect once the construction of such leased assets are completed and the terms of corresponding lease contract commences upon signing off between the lessees and the Group. The advances for finance lease projects will then be transferred to finance lease receivables. Thus, ageing analysis of such advances was considered to be not meaningful.

9 ACCOUNTS RECEIVABLE (CONTINUED)

Movements between stages for the year of 2019 and 2018 within advances for finance lease projects in accounts receivable are as follows:

	Stage 1	Stage 2	Stage 3	Total
Carrying amount				
Amount as at 1 January 2019	4,622,632	–	715,659	5,338,291
Movement within stages	–	–	–	–
Transfer out to finance lease receivables	–	–	–	–
New assets originated/(repayment)	<u>(3,122,632)</u>	–	–	<u>(3,122,632)</u>
As at 31 December 2019	<u>1,500,000</u>	<u>–</u>	<u>715,659</u>	<u>2,215,659</u>
	Stage 1	Stage 2	Stage 3	Total
Carrying amount				
Amount as at 1 January 2018	5,643,315	741,011	–	6,384,326
Movement within stages:				
Move to stage 3	–	(741,011)	741,011	–
Transfer out to finance lease receivables	(1,020,683)	–	–	(1,020,683)
New assets originated/(repayment)	<u>–</u>	<u>–</u>	<u>(25,352)</u>	<u>(25,352)</u>
As at 31 December 2018	<u>4,622,632</u>	<u>–</u>	<u>715,659</u>	<u>5,338,291</u>

9 ACCOUNTS RECEIVABLE (CONTINUED)

Movements of allowances for impairment losses on advances for finance lease projects during the years of 2019 and 2018 are as follows:

	Stage 1	Stage 2	Stage 3	Total
Allowance for impairment losses				
As at 1 January 2019	15,432	–	643,501	658,933
Movement within stages	–	–	–	–
Transfer out to finance lease receivables	–	–	–	–
Net increase/(decrease) ⁽¹⁾	(10,059)	–	–	(10,059)
Charge/(recovered) for the year ⁽²⁾	(289)	–	72,158	71,869
As at 31 December 2019	<u>5,084</u>	<u>–</u>	<u>715,659</u>	<u>720,743</u>
	Stage 1	Stage 2	Stage 3	Total
Allowance for impairment losses				
As at 1 January 2018	18,437	427,918	–	446,355
Movement within stages:				
Move to stage 3	–	(427,918)	427,918	–
Transfer out to finance lease receivables	(3,983)	–	–	(3,983)
Net increase/(decrease) ⁽¹⁾	(609)	–	–	(609)
Charge/(recovered) for the year ⁽²⁾	1,587	–	215,583	217,170
As at 31 December 2018	<u>15,432</u>	<u>–</u>	<u>643,501</u>	<u>658,933</u>

(1) Changes in current year due to new assets originated and repayments.

(2) Changes in PDs, EADs, and LGDs in the current year, arising from regular refreshing of inputs to models and stages transfers.

10 FINANCE LEASE RECEIVABLES

	31 December 2019	31 December 2018
Finance lease receivables		
Not later than one year	42,453,243	38,129,019
Later than one year and not later than five years	90,137,547	81,655,726
Later than five years	47,570,554	39,467,870
Gross amount of finance lease receivables	180,161,344	159,252,615
Less: Unearned finance income	(33,007,750)	(29,435,484)
Present value of minimum finance lease receivables	147,153,594	129,817,131
Less: Allowances for impairment losses	(5,655,506)	(4,675,526)
Carrying amount of finance lease receivables	141,498,088	125,141,605
Present value of minimum finance lease receivables		
Not later than one year	30,398,418	30,761,443
Later than one year and not later than five years	72,681,050	65,553,877
Later than five years	44,074,126	33,501,811
	147,153,594	129,817,131

The Group entered into finance lease arrangements for certain of its aircraft, equipment for infrastructure, transport and construction vehicle. The term range of finance leases entered into is from 1 to 15 years.

The finance lease receivables with carrying amount of approximately RMB3,557,488,000 were pledged as collateral for the Group's bank borrowings as at 31 December 2019 (31 December 2018: RMB6,172,480,000) (Note 12).

The Group entered into no repurchase agreements with certain counterparties to sell the Group's finance lease receivables (31 December 2018: RMB1,111,562,000).

The finance lease receivables were mainly with floating interest rates base on the benchmark interest rate of PBOC ("PBOC Rate"), Loan Prime Rate ("LPR"), or London Inter-bank Offered Rates ("LIBOR"). The interest rates of finance lease receivables were adjusted periodically with reference to the benchmark interest rates.

10 FINANCE LEASE RECEIVABLES (CONTINUED)

Movements between stages for the year of 2019 and 2018 within finance lease receivables are as follows:

	Stage 1	Stage 2	Stage 3	Total
Present value of minimum finance lease receivables				
As at 1 January 2019	110,544,074	17,671,497	1,601,560	129,817,131
Movement within stages:				
Move to stage 1	822,637	(822,637)	–	–
Move to stage 2	(5,473,192)	5,473,192	–	–
Move to stage 3	(120,292)	(155,139)	275,431	–
Transfer in from accounts receivable	–	–	–	–
New assets originated/(repayment)	20,823,885	(3,613,241)	(54,147)	17,156,497
Written-off	–	–	(18,654)	(18,654)
Effect of foreign currency exchange differences	197,499	810	311	198,620
Amount as at 31 December 2019	<u>126,794,611</u>	<u>18,554,482</u>	<u>1,804,501</u>	<u>147,153,594</u>
	Stage 1	Stage 2	Stage 3	Total
Present value of minimum finance lease receivables				
As at 1 January 2018	88,319,018	11,947,616	1,418,012	101,684,646
Movement within stages:				
Move to stage 1	2,917,519	(2,917,519)	–	–
Move to stage 2	(12,521,425)	12,521,425	–	–
Move to stage 3	–	(207,846)	207,846	–
Transfer in from accounts receivable	1,020,683	–	–	1,020,683
New assets originated/(repayment)	30,092,860	(3,700,682)	(24,298)	26,367,880
Effect of foreign currency exchange differences	715,419	28,503	–	743,922
Amount as at 31 December 2018	<u>110,544,074</u>	<u>17,671,497</u>	<u>1,601,560</u>	<u>129,817,131</u>

10 FINANCE LEASE RECEIVABLES (CONTINUED)

Movements of allowances for impairment losses on finance lease receivables during the years of 2019 and 2018 are as follows:

	Stage 1	Stage 2	Stage 3	Total
Allowance for impairment losses				
As at 1 January 2019	1,142,718	2,102,878	1,429,930	4,675,526
Movement within stages:				
Move to stage 1	187,033	(187,033)	–	–
Move to stage 2	(108,768)	108,768	–	–
Move to stage 3	(2,320)	(7,662)	9,982	–
Transfer in from accounts receivable	–	–	–	–
Net increase/(decrease) ⁽¹⁾	343,724	(873,101)	(13,655)	(543,032)
Charge/(recovered) for the year ⁽²⁾	(269,881)	1,529,021	276,225	1,535,365
Written-off	–	–	(18,654)	(18,654)
Effect of foreign currency exchange differences	5,782	308	211	6,301
As at 31 December 2019	<u>1,298,288</u>	<u>2,673,179</u>	<u>1,684,039</u>	<u>5,655,506</u>
	Stage 1	Stage 2	Stage 3	Total
Allowance for impairment losses				
As at 1 January 2018	778,351	2,032,950	1,072,621	3,883,922
Movement within stages:				
Move to stage 1	476,023	(476,023)	–	–
Move to stage 2	(113,520)	113,520	–	–
Move to stage 3	–	(21,835)	21,835	–
Transfer in from accounts receivable	3,983	–	–	3,983
Net increase/(decrease) ⁽¹⁾	340,542	(634,658)	141,990	(152,126)
Net assets originated/(repayment) ⁽²⁾	(358,373)	1,086,767	193,484	921,878
Effect of foreign currency exchange differences	15,712	2,157	–	17,869
As at 31 December 2018	<u>1,142,718</u>	<u>2,102,878</u>	<u>1,429,930</u>	<u>4,675,526</u>

(1) Changes in current year due to new assets originated and repayments.

(2) Changes in PDs, EADs, and LGDs in the current year, arising from regular refreshing of inputs to models and stages transfers.

11 PROPERTY AND EQUIPMENT

	31 December 2019	31 December 2018
Equipment held for operating lease businesses	72,360,693	62,117,692
Property and equipment held for administrative purposes	900,098	920,893
	<u>73,260,791</u>	<u>63,038,585</u>

Equipment held for operating lease businesses

	Aircraft	Ships	Special equipment	Total
Cost				
As at 1 January 2019	70,061,718	4,397,029	671,727	75,130,474
Additions	11,979,072	5,430,241	–	17,409,313
Disposals/written-off	(5,008,080)	(470,556)	–	(5,478,636)
Transferred to assets held-for-sale	(2,357,144)	–	–	(2,357,144)
Foreign currency translation	1,211,373	118,949	–	1,330,322
As at 31 December 2019	<u>75,886,939</u>	<u>9,475,663</u>	<u>671,727</u>	<u>86,034,329</u>
Accumulated depreciation				
As at 1 January 2019	(12,186,262)	(187,440)	(152,123)	(12,525,825)
Charge for the year	(3,176,918)	(281,235)	(53,385)	(3,511,538)
Disposals/written-off	3,059,899	50,947	–	3,110,846
Transferred to assets held-for-sale	773,866	–	–	773,866
Foreign currency translation	(162,902)	(3,560)	–	(166,462)
As at 31 December 2019	<u>(11,692,317)</u>	<u>(421,288)</u>	<u>(205,508)</u>	<u>(12,319,113)</u>
Accumulated impairment				
As at 1 January 2019	(486,957)	–	–	(486,957)
Charge for the year	(461,965)	(248,024)	(192,904)	(902,893)
Disposals/written-off	33,241	–	–	33,241
Transferred to assets held-for-sale	17,104	–	–	17,104
Foreign currency translation	(13,176)	(1,842)	–	(15,018)
As at 31 December 2019	<u>(911,753)</u>	<u>(249,866)</u>	<u>(192,904)</u>	<u>(1,354,523)</u>
Net carrying amount				
As at 1 January 2019	<u>57,388,499</u>	<u>4,209,589</u>	<u>519,604</u>	<u>62,117,692</u>
As at 31 December 2019	<u>63,282,869</u>	<u>8,804,509</u>	<u>273,315</u>	<u>72,360,693</u>

11 PROPERTY AND EQUIPMENT (CONTINUED)

	Aircraft	Ships	Special equipment	Total
Cost				
As at 1 January 2018	57,554,683	1,269,429	354,583	59,178,695
Additions	16,013,871	3,105,226	407,692	19,526,789
Disposals/written-off	(5,421,774)	–	(90,548)	(5,512,322)
Transferred to assets held-for-sale	(1,586,719)	–	–	(1,586,719)
Transferred from assets held-for-sale	658,253	–	–	658,253
Foreign currency translation	2,843,404	22,374	–	2,865,778
As at 31 December 2018	<u>70,061,718</u>	<u>4,397,029</u>	<u>671,727</u>	<u>75,130,474</u>
Accumulated depreciation				
As at 1 January 2018	(10,023,996)	(95,639)	(126,137)	(10,245,772)
Charge for the year	(2,759,102)	(89,002)	(59,175)	(2,907,279)
Disposals/written-off	925,434	–	33,189	958,623
Transferred to assets held-for-sale	261,750	–	–	261,750
Transferred from assets held-for-sale	(40,002)	–	–	(40,002)
Foreign currency translation	(550,346)	(2,799)	–	(553,145)
As at 31 December 2018	<u>(12,186,262)</u>	<u>(187,440)</u>	<u>(152,123)</u>	<u>(12,525,825)</u>
Accumulated impairment				
As at 1 January 2018	(241,023)	–	–	(241,023)
Charge for the year	(209,308)	–	–	(209,308)
Transferred from assets held-for-sale	(16,852)	–	–	(16,852)
Foreign currency translation	(19,774)	–	–	(19,774)
As at 31 December 2018	<u>(486,957)</u>	<u>–</u>	<u>–</u>	<u>(486,957)</u>
Net carrying amount				
As at 1 January 2018	<u>47,289,664</u>	<u>1,173,790</u>	<u>228,446</u>	<u>48,691,900</u>
As at 31 December 2018	<u>57,388,499</u>	<u>4,209,589</u>	<u>519,604</u>	<u>62,117,692</u>

The aircraft with net book value of approximately RMB23,522,445,000 of the Group were pledged as collateral for the Group's bank borrowings as at 31 December 2019 (31 December 2018: RMB29,162,159,000) (Note 12).

11 PROPERTY AND EQUIPMENT (CONTINUED)

Property and equipment held for administrative purposes

	Buildings	Computer and electronic equipment	Motor vehicles	Office equipment	Leasehold improvements	Total
Cost						
As at 1 January 2019	877,457	18,286	4,038	77,531	17,769	995,081
Additions	12,268	4,632	2,881	4,673	1,928	26,382
Transferred from other intangible assets	–	–	–	61,647	–	61,647
Disposals/written-off	(5,520)	(7,981)	(1,447)	(11,873)	–	(26,821)
Foreign currency translation	2,239	–	–	1,032	–	3,271
As at 31 December 2019	886,444	14,937	5,472	133,010	19,697	1,059,560
Accumulated depreciation						
As at 1 January 2019	(29,384)	(15,853)	(3,132)	(9,242)	(16,577)	(74,188)
Charge for the year	(25,872)	(1,126)	(406)	(9,080)	(1,293)	(37,777)
Transferred from other intangible assets	–	–	–	(61,647)	–	(61,647)
Disposals/written-off	2,481	7,883	1,205	3,455	–	15,024
Foreign currency translation	(730)	–	–	(144)	–	(874)
As at 31 December 2019	(53,505)	(9,096)	(2,333)	(76,658)	(17,870)	(159,462)
Net carrying amount						
As at 1 January 2019	848,073	2,433	906	68,289	1,192	920,893
As at 31 December 2019	832,939	5,841	3,139	56,352	1,827	900,098

11 PROPERTY AND EQUIPMENT (CONTINUED)

	Buildings	Computer and electronic equipment	Motor vehicles	Office equipment	Leasehold improvements	Construction in progress	Total
Cost							
As at 1 January 2018	40,295	17,331	7,396	18,049	17,769	796,391	897,231
Additions	644,717	1,090	–	65,194	–	262,634	973,635
Transfer from investment properties	192,445	–	–	–	–	–	192,445
Transfer to investment properties and buildings	–	–	–	–	–	(1,059,025)	(1,059,025)
Disposals/written-off	–	(141)	(3,358)	(6,128)	–	–	(9,627)
Foreign currency translation	–	6	–	416	–	–	422
As at 31 December 2018	<u>877,457</u>	<u>18,286</u>	<u>4,038</u>	<u>77,531</u>	<u>17,769</u>	<u>–</u>	<u>995,081</u>
Accumulated depreciation							
As at 1 January 2018	(14,750)	(14,194)	(6,105)	(8,106)	(13,695)	–	(56,850)
Charge for the year	(13,110)	(1,790)	(217)	(6,727)	(2,882)	–	(24,726)
Transfer from investment properties	(1,524)	–	–	–	–	–	(1,524)
Disposals/written-off	–	137	3,190	5,807	–	–	9,134
Foreign currency translation	–	(6)	–	(216)	–	–	(222)
As at 31 December 2018	<u>(29,384)</u>	<u>(15,853)</u>	<u>(3,132)</u>	<u>(9,242)</u>	<u>(16,577)</u>	<u>–</u>	<u>(74,188)</u>
Net carrying amount							
As at 1 January 2018	<u>25,545</u>	<u>3,137</u>	<u>1,291</u>	<u>9,943</u>	<u>4,074</u>	<u>796,391</u>	<u>840,381</u>
As at 31 December 2018	<u>848,073</u>	<u>2,433</u>	<u>906</u>	<u>68,289</u>	<u>1,192</u>	<u>–</u>	<u>920,893</u>

As at 31 December 2019, carrying values of property and equipment of the Group for which registration was not completed amounted to approximately RMB9,072,000 (31 December 2018: RMB824,288,000). However, this registration process does not affect the rights of the Group to these assets.

The impairment loss represents the write-down of the asset (mainly aircraft and ships) book value to recoverable amount.

For aircraft, the recoverable amount was determined based on the management's best estimate of aircraft values from appraisers' valuation or value in use or estimated selling prices based on signed letter of intent to sell the aircraft. The estimated future cash flows of the aircraft were discounted to their present value using pretax discount rate to calculate the value in use. For the calculation of value in use, the weighted average discount rates for 31 December 2019 was 5.00% (2018: 5.25%).

For ships, the recoverable amount was determined based on the management's best estimate of average ship transaction prices from specialist's database or value in use. The estimate future cash flow of ships were discounted to their present value using pretax discount rate to calculate value in use. For the calculation of value in use, the weighted average discount rates for 31 December 2019 was 5.06%. The Group has expanded ship operating lease business since second half year of 2018, and management assessed there were no indicators that the ships may be impaired at 31 December 2018.

12 BORROWINGS

	31 December 2019	31 December 2018
Secured bank borrowings ⁽¹⁾	17,523,360	29,331,068
Unsecured bank borrowings	156,612,276	127,855,830
	<u>174,135,636</u>	<u>157,186,898</u>
	31 December 2019	31 December 2018
Carrying amount repayable:		
Within one year	142,105,752	126,317,556
More than one year, but not exceeding two years	7,311,165	4,905,835
More than two years, but not exceeding five years	22,916,883	16,197,723
More than five years	1,801,836	9,765,784
	<u>174,135,636</u>	<u>157,186,898</u>

(1) Secured bank borrowings

Secured bank borrowings were pledged by property and equipment held for operating lease businesses, finance lease receivables and bank deposits with carrying amounts as follows:

	31 December 2019	31 December 2018
Property and equipment	23,522,445	29,162,159
Finance lease receivables	3,557,488	6,172,480
Bank deposits	–	3,682,759
	<u>27,079,933</u>	<u>39,017,398</u>

The exposure of the Group's fixed-rate borrowings and the contractual maturity dates are as follows:

	31 December 2019	31 December 2018
Fixed-rate borrowings:		
Within one year	124,673,898	109,928,067
More than one year, but not exceeding five years	3,262,786	4,063,970
More than five years	601,458	2,687,831
	<u>128,538,142</u>	<u>116,679,868</u>

In addition, the Group has variable-rate borrowings which carry interest based on PBOC Rates, Loan Prime Rate (“LPR”), London Inter-bank Offered Rates (“LIBOR”) or Shanghai Inter-bank Offered Rates (“SHIBOR”).

12 BORROWINGS (CONTINUED)

The ranges of effective interest rates (which approximate to contractual interest rates) on the Group's borrowings are as follows:

	31 December 2019	31 December 2018
Effective interest rate:		
Fixed-rate borrowing	2.18% - 5.00%	1.32% - 6.00%
Floating-rate borrowing	“LIBOR+0.60% to LIBOR+2.70%”	“LIBOR+0.15% to LIBOR+3.30%, SHIBOR+0.79%, PBOC Rate*90.00%”

13 BONDS PAYABLE

	31 December 2019	31 December 2018
Guaranteed unsecured bonds	39,314,166	32,105,445
Unguaranteed unsecured bonds	3,497,102	6,490,901
	42,811,268	38,596,346

The following table summarised the basic information of the Group's bonds:

Currency	Fixed Coupon Rate	Maturity (Year)	Face value	As at 31 December 2019	
				Guaranteed unsecured bonds ⁽¹⁾	Unguaranteed unsecured bonds
RMB	3.60% to 4.65%	2020 to 2022	4,215,000	715,000	3,500,000
HKD	2.90% to 3.60%	2020 to 2022	3,707,633	3,707,633	–
USD	2.63% to 4.25%	2020 to 2027	28,811,706	28,811,706	–
			36,734,339	33,234,339	3,500,000
Currency	Floating Rate				
USD	3-month LIBOR + Margin ranging from 1.15% to 1.25%	2021	6,278,580	6,278,580	–
			43,012,919	39,512,919	3,500,000

13 BONDS PAYABLE (CONTINUED)

Currency	Fixed Coupon Rate	Maturity (Year)	Face value	As at 31 December 2018	
				Guaranteed unsecured bonds ⁽¹⁾	Unguaranteed unsecured bonds
RMB	3.00% to 4.65%	2019 to 2020	6,500,000	–	6,500,000
HKD	0.00% to 3.60%	2019 to 2021	1,471,140	1,471,140	–
USD	2.63% to 4.25%	2019 to 2027	24,707,520	24,707,520	–
			32,678,660	26,178,660	6,500,000
Currency	Floating Rate				
USD	3-month LIBOR + Coupon rate ranging from 1.15% to 1.25%	2021	6,176,880	6,176,880	–
			38,855,540	32,355,540	6,500,000

- (1) The bonds were unconditionally and irrevocably guaranteed by CDB Leasing (International) Company Limited or CDB Aviation Lease Finance Designated Activity Company, with the benefit of a Keepwell and Asset Purchase Deed provided by the Company; or unconditionally and irrevocably guaranteed by the Hong Kong branch of China Development Bank. CDB Leasing (International) Company Limited and CDB Aviation Lease Finance Designated Activity Company are overseas subsidiaries of the Group.

14 SHARE CAPITAL

	31 December 2019	31 December 2018
Registered, issued and fully paid: par value RMB1.00 per share	12,642,380	12,642,380

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital
At 1 January 2018	12,642,380	12,642,380
At 31 December 2018 and 1 January 2019	12,642,380	12,642,380
Shares issue ⁽¹⁾	687,024	687,024
Shares repurchased ⁽¹⁾	<u>(687,024)</u>	<u>(687,024)</u>
At 31 December 2019	12,642,380	12,642,380

- (1) On 27 December 2019, the Company repurchased and then cancelled 687,024,000 H shares at the price of US\$0.2863 from Three Gorges Capital Holdings (HK) Co., Ltd. The total amount of US\$196,694,971.20 has been paid. Meanwhile, the Company issued 687,024,000 non-tradable domestic stocks to China Three Gorges Corporation Co., Ltd at the same price as the repurchased price and the Company has received total amount of RMB1,374,484,789.25. These changes have no effect on the total share capital.

15 DIVIDENDS

The dividends paid in 2019 is RMB1,128,079,567 (RMB0.8923 per 10 ordinary shares; 2018: RMB967,068,324). A dividend in respect of the year ended 31 December 2019 of RMB1.0458 per 10 ordinary shares, amounting to a total dividend of RMB1,322,140,100, is to be proposed at the annual general meeting. These financial statements do not reflect this dividend payable.

16 SEGMENT REPORTING

Information reported to the chief operating decision maker (hereinafter refer to as the “CODM”), being the board of directors of the Company, for the purposes of resource allocation and assessment of segment performance focuses on the nature of services provided by the Group, which is also consistent with the Group’s basis of organisation, whereby the businesses are organised and managed separately as individual strategic business unit that serves different markets. Segment information is measured in accordance with the accounting policies and measurement criteria adopted by each segment when reporting to the board of directors of the Company, which are consistent with the accounting and measurement criteria in the preparation of the consolidated financial statements.

The Group’s operating segments are adjusted to four business segments and others as follows for the year of 2019 (the segment reporting for the year of 2018 has been adjusted accordingly):

- Aircraft leasing: mainly engaged in the acquisition, leasing, management and disposal of commercial aircraft;
- Infrastructure leasing: mainly engaged in the leasing of transportation, urban and energy infrastructure;
- Ship leasing: mainly engaged in the leasing of ships;
- Inclusive finance: mainly engaged in the leasing of vehicles and construction machinery; and
- Others: mainly engaged in the leasing of commercial property and manufacturing equipment in various sectors such as chemicals, papermaking, textile, coal and steel, strategic emerging industries, environmental protection industry, manufacturing sectors supported by national policies, wind power, nuclear power, photovoltaic and other industries, etc.

Segment assets or liabilities are allocated to each segment, excluding deferred tax assets or liabilities, and the segment result excludes income tax expense. Segment revenue, results, assets and liabilities mainly include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Expenses and assets of the headquarters are allocated according to the proportion of each segment’s net revenue (segment’s revenue deducting depreciation expenses of equipment held for operating lease businesses). Liabilities of the headquarters are allocated according to the proportion of each segment’s assets.

Inter-segment transactions, if any, are conducted with reference to the prices charged to third parties and there was no change in the basis during the years ended 31 December 2019 and 2018.

16 SEGMENT REPORTING (CONTINUED)

The operating and reportable segment information provided to the CODM during the years ended 31 December 2019 and 2018 is as follows:

	Aircraft leasing	Infrastructure leasing	Ship leasing	Inclusive finance	Others	Consolidated total
For the year ended 31 December 2019						
Segment revenue and results						
Finance lease income	125,197	5,428,073	869,714	1,235,614	628,844	8,287,442
Operating lease income	7,264,358	39,198	755,339	–	177,815	8,236,710
Segment revenue	7,389,555	5,467,271	1,625,053	1,235,614	806,659	16,524,152
Segment other income, gains and losses	1,144,799	308,977	324,435	19,811	21,063	1,819,085
Segment revenue and other income	8,534,354	5,776,248	1,949,488	1,255,425	827,722	18,343,237
Segment expenses	(6,928,555)	(4,047,569)	(1,587,085)	(846,884)	(940,383)	(14,350,476)
Profit before impairment losses and income tax	<u>2,070,572</u>	<u>2,580,630</u>	<u>590,326</u>	<u>458,961</u>	<u>329,459</u>	<u>6,029,948</u>
Profit before income tax	<u>1,605,799</u>	<u>1,728,679</u>	<u>362,403</u>	<u>408,541</u>	<u>(112,661)</u>	<u>3,992,761</u>
As at 31 December 2019						
Segment assets and liabilities						
Segment assets	93,839,336	100,713,345	27,247,090	23,030,160	15,041,813	259,871,744
Deferred tax assets						<u>1,428,924</u>
Group's total assets						<u>261,300,668</u>
Segment liabilities	82,358,345	93,386,043	26,398,588	20,377,906	12,283,210	234,804,092
Deferred tax liabilities						<u>827,334</u>
Group's total liabilities						<u>235,631,426</u>
For the year ended 31 December 2019						
Other segment information						
Depreciation of investment properties	–	–	–	–	(37,169)	(37,169)
Depreciation of properties and equipment	(3,188,123)	(37,257)	(285,836)	(3,551)	(34,548)	(3,549,315)
Depreciation of right-of-use assets	(88,068)	(5,449)	(1,540)	(1,189)	(717)	(96,963)
Amortisation	(39,088)	(3,515)	(994)	(767)	(10,637)	(55,001)
Capital expenditure	11,995,681	5,986	5,431,934	1,306	788	17,435,695
Impairment losses	<u>(464,773)</u>	<u>(851,951)</u>	<u>(227,923)</u>	<u>(50,420)</u>	<u>(442,120)</u>	<u>(2,037,187)</u>

16 SEGMENT REPORTING (CONTINUED)

	Aircraft leasing	Infrastructure leasing	Ship leasing	Inclusive finance	Others	Consolidated total
For the year ended 31 December 2018						
Segment revenue and results						
Finance lease income	202,265	4,579,249	711,496	910,185	633,121	7,036,316
Operating lease income	6,049,169	53,678	324,324	–	157,633	6,584,804
Segment revenue	6,251,434	4,632,927	1,035,820	910,185	790,754	13,621,120
Segment other income, gains and losses	1,333,765	377,452	72,084	80,098	56,791	1,920,190
Segment revenue and other income	7,585,199	5,010,379	1,107,904	990,283	847,545	15,541,310
Segment expenses	(5,515,842)	(4,128,540)	(979,629)	(750,556)	(892,522)	(12,267,089)
Profit before impairment losses and income tax	<u>2,264,080</u>	<u>1,435,742</u>	<u>344,141</u>	<u>283,957</u>	<u>239,393</u>	<u>4,567,313</u>
Profit before income tax	<u>2,069,357</u>	<u>881,839</u>	<u>128,275</u>	<u>239,727</u>	<u>(44,977)</u>	<u>3,274,221</u>
As at 31 December 2018						
Segment assets and liabilities						
Segment assets	88,370,107	94,546,673	21,634,603	21,342,171	11,085,260	236,978,814
Deferred tax assets						<u>1,088,172</u>
Group's total assets						<u>238,066,986</u>
Segment liabilities	79,340,007	85,195,092	19,494,731	19,231,224	9,988,821	213,249,875
Deferred tax liabilities						<u>614,081</u>
Group's total liabilities						<u>213,863,956</u>
For the year ended 31 December 2018						
Other segment information						
Depreciation of investment properties	–	–	–	–	(41,164)	(41,164)
Depreciation of properties and equipment	(2,764,285)	(37,488)	(91,544)	(2,464)	(36,224)	(2,932,005)
Amortisation	(2,416)	(7,764)	(1,591)	(1,541)	(2,772)	(16,084)
Capital expenditure	16,013,871	472,753	3,202,104	93,907	73,074	19,855,709
Impairment losses	<u>(194,723)</u>	<u>(553,903)</u>	<u>(215,866)</u>	<u>(44,230)</u>	<u>(284,370)</u>	<u>(1,293,092)</u>

The largest customer, Airline Company A contributes 7.33% of the Group's revenue for the year ended 31 December 2019 (2018: 8.58%).

The Group's non-current assets are mainly located in the PRC (country of domicile). The Group's revenue is substantially derived from its operation in PRC.

17 EVENTS AFTER THE REPORTING PERIOD

17.1 Impact assessment on Boeing 737 Max event

Boeing 737 MAX aircraft have been grounded by aviation authorities and commercial operations have been restricted due to two well-known aircraft accidents. In January 2020, Boeing officially stopped the production of Boeing 737 MAX aircraft. As a result, the delivery date of the Boeing 737 MAX aircraft ordered by the Group is uncertain.

The Group will continue to monitor the resumption of operation of the Boeing 737 MAX aircraft and will work to determine a suitable delivery date for the undelivered aircraft.

17.2 Impact assessment on COVID-19

The outbreak of COVID-19 severely affected many countries and regions, including China, and hindered the global economic recovery. Up to now, the prevention and control to the endemic is still ongoing. The Group implemented the Chinese and local government's requirements in preventing and controlling the endemic while ensuring continuous business operation.

To deal with the impact of COVID-19, the Group has researched and issued a series of policies and measures, including the "Implementation Opinions on Lease Support Endemic Prevention and Control", to provide leasing business support for endemic prevention and control from different aspects. The endemic situation and further prevention and control measures continue to have a comprehensive impact on China and even the global economy, which may have a certain impact on the business operations, financial status of the lessee, or the fair value of leased assets or cash flows generated by future operating activities. It may affect the quality or income of the Group's leased assets (including financial lease receivables, accounts receivable and operating lease equipment) to a certain extent. The impact depends on the duration of the endemic situation and the prevention and control measures and the degree of economic order recovery.

The Group will continue to closely monitor the global development of the endemic and assess and actively respond to its impact on financial conditions and business results. In view of the unclear global situation of the endemic's prevention and control, related assessment work is still in progress as of the date of this announcement.

DEFINITIONS

“Articles of Association”	Articles of Association of China Development Bank Financial Leasing Co., Ltd.
“Board” or “Board of Directors”	the board of directors of our Company
“Board of Supervisors”	the board of supervisors of our Company
“Capital Administrative Measures”	Administrative Measures for Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法》(試行)), issued by CBIRC on June 7, 2012 and being effective from January 1, 2013
“CBIRC”	China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會) and its predecessor, China Banking Regulatory Commission (中國銀行業監督管理委員會)
“China” or “the PRC”	the People’s Republic of China, excluding, for the purpose of this results announcement, Hong Kong, Macau and Taiwan
“Company” or “our Company”	China Development Bank Financial Leasing Co., Ltd. (國銀金融租賃股份有限公司), a company established in the PRC in 1984 and converted into a joint stock limited company on September 28, 2015, the H Shares of which are listed on the Hong Kong Stock Exchange with stock code of 1606
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Corporate Governance Code”	the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Hong Kong Listing Rules
“Director(s)”	director(s) of our Company
“Global Offering”	the Hong Kong Public Offering and the International Offering as mentioned in the Prospectus
“Group”, “we” or “us”	our Company and its subsidiaries or SPCs, or our Company and any one or more of its subsidiaries or SPCs, as the context may require
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong 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”	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules
“OEM(s)”	collectively or individually, Boeing, Airbus and other aircraft manufacturers
“PBOC”	People’s Bank of China (中國人民銀行), the central bank of the PRC
“Prospectus”	the prospectus of the Company dated June 24, 2016
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Reporting Period”	from January 1, 2019 to December 31, 2019
“Share(s)”	share(s) in the share capital of the Company with a nominal value of RMB1.00 each
“Shareholder(s)”	holder(s) of the Share(s)
“State Council”	State Council of the PRC
“subsidiary(ies)”	has the meaning ascribed to it in section 15 of the Companies Ordinance
“Supervisor(s)”	supervisor(s) of the Company
“US\$”, “USD” or “US dollar(s)”	United States dollar(s), the lawful currency of the United States

GLOSSARY OF TECHNICAL TERMS

“finance lease”	a lease arrangement classified under the International Financial Reporting Standards, pursuant to which substantially all of the risks and returns of ownership of the leased assets are transferred from the lessors to the lessees
“finance lease related asset”	leased asset under finance leases, consisting of finance leases receivable and accounts receivable (advances for finance lease projects)
“narrow-body aircraft”	single-aisle aircraft, such as Airbus A320 family and Boeing 737 family
“operating lease”	a lease arrangement classified under the International Financial Reporting Standards, pursuant to which substantially all of the risks and returns of the leased assets remain with the lessors
“SPC(s)”	special purpose company(ies)
“wide-body aircraft”	twin-aisle aircraft, such as Airbus A330 family and Boeing 777 family

By order of the Board
CHINA DEVELOPMENT BANK FINANCIAL LEASING CO., LTD.
Wang Xuedong
Chairman

Shenzhen, the PRC
March 26, 2020

As at the date of this announcement, the executive directors of the Company are Mr. WANG Xuedong, Mr. PENG Zhong and Mr. HUANG Min; the non-executive directors of the Company are Mr. LI Yingbao, Mr. WANG Bangyi and Ms. WANG Ying; and the independent non-executive directors of the Company are Mr. ZHENG Xueding, Mr. XU Jin and Mr. ZHANG Xianchu.