国银租赁
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, 2020

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, 2020 together with the comparative figures for the corresponding period in 2019, 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

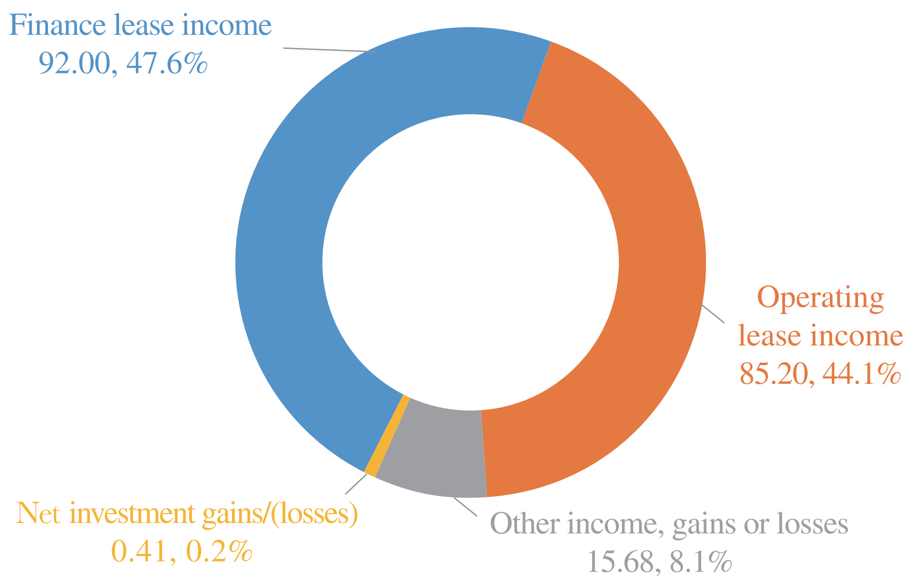
1. SUMMARY OF CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	For the year ended December 31,				
(RMB in thousands)	**2020**	2019	2018	2017	2016
Finance lease income	**9,199,844**	8,287,442	7,036,316	5,784,289	5,363,827
Operating lease income	**8,520,051**	8,236,710	6,584,804	6,016,001	5,453,157
Total revenue	**17,719,895**	16,524,152	13,621,120	11,800,290	10,816,984
Net investment gains/(losses)	**41,189**	220,355	211,662	176,160	(52,359)
Other income, gains or losses	**1,567,632**	1,598,730	1,708,528	338,272	676,180
Total revenue and other income	**19,328,716**	18,343,237	15,541,310	12,314,722	11,440,805
Total expenses	**(14,745,139)**	(14,350,476)	(12,267,089)	(9,506,870)	(9,373,074)
Of which: Depreciation and amortisation	**(4,133,564)**	(3,738,448)	(2,989,253)	(2,701,887)	(2,476,525)
Interest expense	**(6,980,798)**	(7,167,284)	(6,863,247)	(4,984,470)	(4,400,071)
Impairment losses	**(2,281,623)**	(2,037,187)	(1,293,092)	(912,918)	(1,825,773)
Profit before tax	**4,583,577**	3,992,761	3,274,221	2,807,852	2,067,731
Profit for the year	**3,268,321**	2,938,125	2,506,984	2,130,963	1,561,339
Basic and diluted earnings per Share *(RMB Yuan)*	**0.26**	0.23	0.20	0.17	0.14

In 2020, finance lease income accounted for 47.6% of the operating income of the Group, representing a year-on-year increase of 2.4 percentage points; operating lease income accounted for 44.1%, representing a year-on-year decrease of 0.8 percentage point; other income, gains or losses accounted for 8.1%, representing a year-on-year decrease of 0.6 percentage point and net investment gains/(losses) accounted for 0.2%, representing a year-on-year decrease of 1.0 percentage point.

Breakdown of Operating Income in 2020

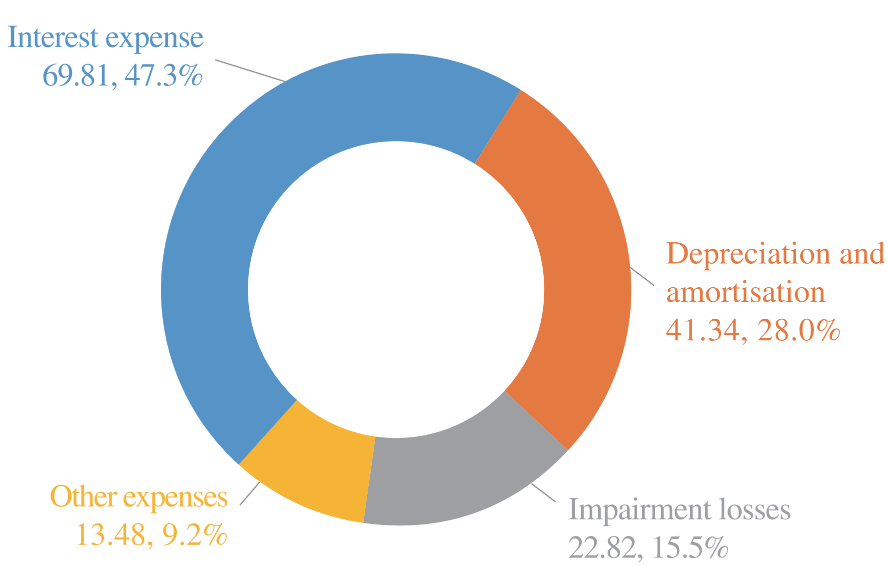
(Unit: RMB 00' million, Percentage)



In 2020, interest expense accounted for 47.3% of the operating expenses of the Group, representing a year-on-year decrease of 2.6 percentage points; depreciation and amortisation accounted for 28.0%, representing a year-on-year increase of 1.9 percentage points; impairment losses accounted for 15.5%, representing a year-on-year increase of 1.3 percentage points; and other expenses accounted for 9.2%, representing a year-on-year decrease of 0.6 percentage point.

Breakdown of Operating Expenses in 2020

(Unit: RMB 00' million, Percentage)



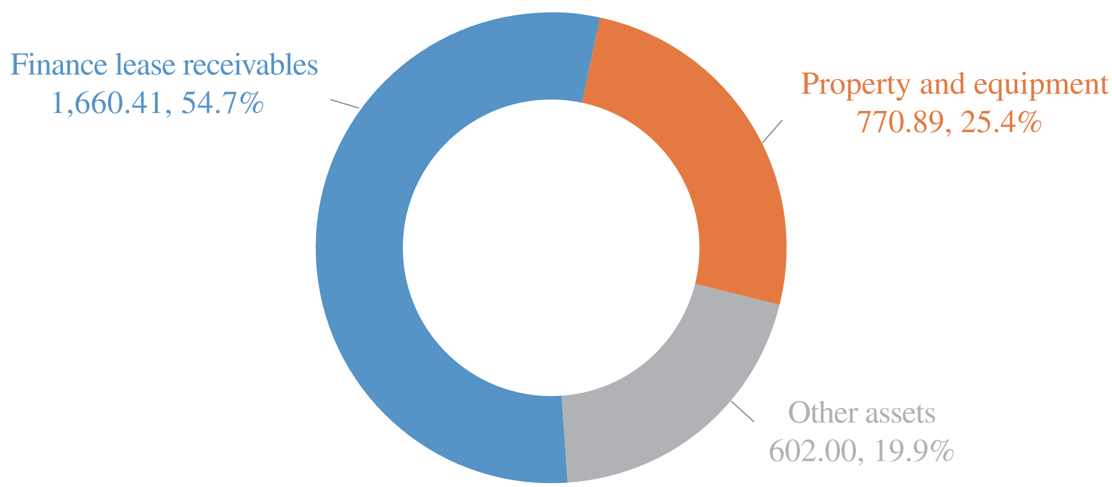
2. SUMMARY OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at December 31,				
(RMB in thousands)	**2020**	2019	2018	2017	2016
Total assets	**303,329,667**	261,300,668	238,066,986	187,099,272	166,512,149
Of which: Cash and bank balances	**34,992,986**	21,528,292	23,497,845	16,207,073	9,336,415
Accounts receivable	**1,960,650**	2,168,454	5,405,652	6,610,039	6,841,777
Finance lease receivables	**166,040,552**	141,498,088	125,141,605	98,880,563	88,464,050
Prepayments	**15,829,764**	14,820,598	12,332,839	7,530,238	7,911,502
Property and equipment	**77,088,767**	73,260,791	63,038,585	49,532,281	47,344,054
Total liabilities	**276,700,352**	235,631,426	213,863,956	163,590,303	144,210,475
Of which: Borrowings	**210,382,017**	174,135,636	157,186,898	116,245,105	106,198,168
Bonds payable	**46,221,709**	42,811,268	38,596,346	32,326,713	17,793,886
Total equity	**26,629,315**	25,669,242	24,203,030	23,508,969	22,301,674
Net assets per share *(RMB Yuan)*	**2.11**	2.03	1.91	1.86	1.76

As at December 31, 2020, finance lease receivables accounted for 54.7% of the total assets of the Group, representing an increase of 0.5 percentage point as compared with that in 2019; property and equipment accounted for 25.4%, representing a decrease of 2.6 percentage points as compared with that in 2019; and other assets accounted for 19.9%, representing an increase of 2.1 percentage points as compared with that in 2019.

Breakdown of Net Book Value of the Total Assets

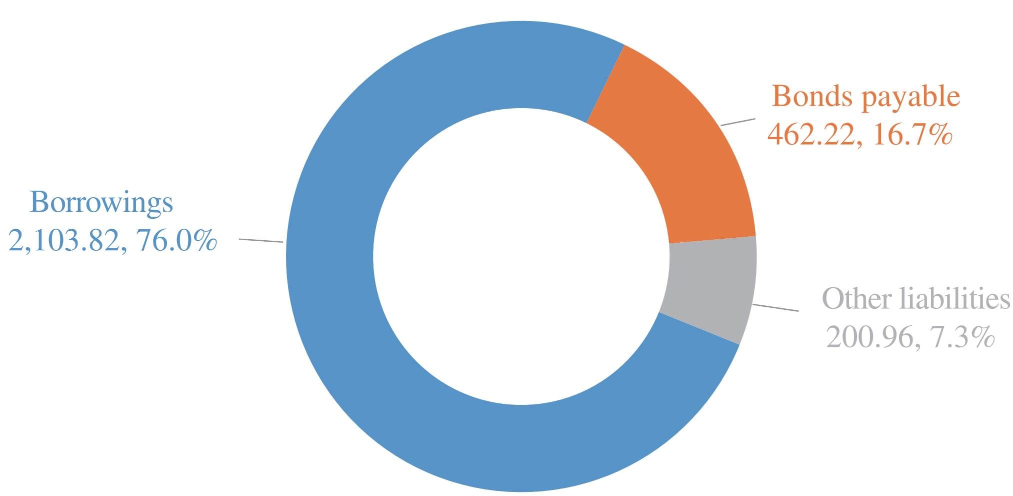
(Unit: RMB 00' million, Percentage)



As at December 31, 2020, borrowings accounted for 76.0% of the total liabilities of the Group, representing an increase of 2.1 percentage points as compared with that in 2019; bonds payable accounted for 16.7%, representing a decrease of 1.5 percentage points as compared with that in 2019; and other liabilities accounted for 7.3%, representing a decrease of 0.6 percentage point as compared with that in 2019.

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,				
	2020	2019	2018	2017	2016
Return on average total assets[1]	**1.16%**	1.18%	1.18%	1.21%	0.97%
Return on average equity[2]	**12.50%**	11.78%	10.73%	9.30%	8.44%
Cost-to-income ratio[3]	**7.14%**	8.19%	6.99%	7.08%	5.76%
Net profit margin before tax and impairment losses[4]	**38.74%**	36.49%	33.53%	31.53%	35.99%
Net profit margin[5]	**18.44%**	17.78%	18.41%	18.06%	14.43%
Non-performing asset ratio[6]	**0.80%**	0.89%	0.89%	0.78%	0.98%
Non-performing asset ratio of finance lease business[7]	**0.54%**	1.58%	1.56%	1.31%	1.63%
Gearing ratio[8]	**8.36 x**	7.61x	7.15x	5.72x	5.46x
Credit ratings					
Standard & Poor's	**A**	A	A	A	A+
Moody's	**A1**	A1	A1	A1	Aa3
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.

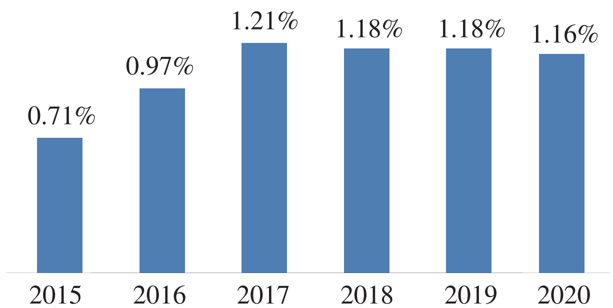
(6) Calculated based on the percentage of non-performing assets over total assets before allowance for impairment losses as of the dates indicated.

(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.

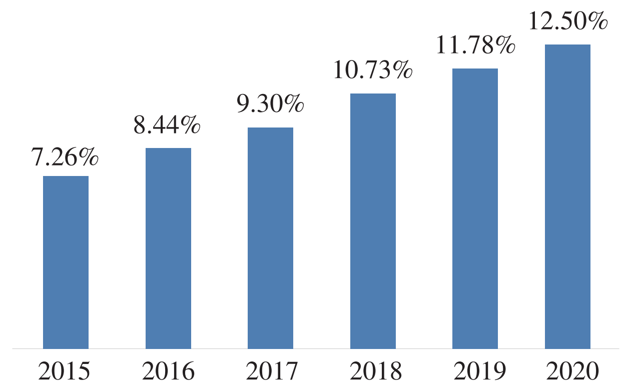
(8) Calculated by dividing net debt by total equity. Net debt is defined as total debt less cash and bank balances. Total debt comprises borrowings, due to banks and other financial institutions, financial assets sold under repurchase agreements and bonds payable.

In 2020, the return on average total assets of the Group was 1.16%, which was almost the same as that of the previous year. The return on average equity of the Group was 12.50%, which has achieved a steady increase in recent years.

Return on Average Total Assets, Percentage



Return on Average Equity, Percentage



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.

	Regulatory requirement	As at December 31,				
		2020	2019	2018	2017	2016
Capital adequacy indicators[1]						
Core tier-one capital adequacy ratio[2]	≥7.5%[3]	**9.82%**	10.51%	10.72%	13.19%	13.42%
Tier-one capital adequacy ratio[4]	≥8.5%[3]	**9.82%**	10.51%	10.72%	13.19%	13.42%
Capital adequacy ratio[5]	≥10.5%[3]	**12.60%**	11.69%	11.91%	14.10%	14.03%
Asset quality indicators						
Allowance for non-performing finance lease related assets [6]	≥150%[3]	**625.95%**	269.61%	253.12%	215.15%	164.28%

(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) According to the capital adequacy ratio standard requirements of CBIRC during the transition period (2013-2018), 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 RESPONSE

1.1 Business Environment

1.1.1 Macro-economy

In 2020, the COVID-19 epidemic caused an unprecedented impact on the global economy and society. The International Monetary Fund (IMF) predicted that the global economy would shrink by 3.5%, the worst recession since World War II. Major economies in the world have introduced active fiscal and monetary policies to cope with the crisis, with a sharp drop in market interest rates, a sharp rise in public debt ratios, a fragile real economy and rising financial risks.

China quickly brought the epidemic under control, and achieved positive results when it resumed work and resumed production. Import and export increased substantially, consumption rebounded steadily, and economic growth was better than expected. The annual GDP exceeded RMB100 trillion for the first time, with a GDP growth rate of 2.3%, and it was the major economy returning to positive growth in the world. The new development pattern with the domestic big cycle as the main body and the domestic and international double cycles promoting each other is accelerating.

China's prudent monetary policy is more flexible, moderate and precise. According to the stage characteristics of epidemic prevention and control and economic and social development, the PBOC can flexibly grasp the intensity, rhythm and key points of monetary policy regulation and control, and respond to the highly uncertain situation with three certainties: moderate total policy, obvious reduction in financing costs and support for the real economy. In 2020, the incremental scale of social financing totaled RMB34.86 trillion, an increase of RMB9.19 trillion year-on-year, keeping the total amount moderate. The balances of broad money M2 and narrow money M1 were RMB218.68 trillion and RMB62.56 trillion respectively, representing a year-on-year increase of 10.1% and 8.6% respectively. RMB loans increased by RMB19.63 trillion, representing an increase of RMB2.82 trillion year-on-year. The weighted average interest rate of enterprise loans nationwide was 4.61%, representing a decrease of 0.51 percentage point as compared with that as of the end of last year, and reached the lowest level since 2015. The financing structure was further optimized, and the problems of "difficult financing" and "expensive financing" of small and micro enterprises were further improved.

1.1.2 Industry Environment

In 2020, the CBIRC issued the Interim Measures for the Supervision and Administration of Financial Leasing Companies and issued the Measures for the Supervision and Rating of Financial Leasing Companies (Trial). The Supreme People's Court of China recognized the financial institution status of financial leasing companies, and further standardized the development of China's financial leasing industry. By the end of 2020, the total number of financial leasing companies nationwide was 12,156, representing an increase of 26 (including one financial leasing company), or 0.2% as compared with that of last year, and the growth rate decreased by 2.8 percentage points year-on-year. The balance of financial leasing contracts nationwide was about RMB6,504 billion, representing a decrease of about RMB150 billion or 2.3% year-on-year. The internal differentiation of the leasing industry was obvious, and the development of the industry presented "quantity reduction and quality improvement". With the advantages of capital, fund and risk control, the proportion of assets of financial leasing companies in the leasing industry has steadily increased.

1.2 Company's Responses

In 2020, in the face of the impact of COVID-19 epidemic, the Group did a solid job in epidemic prevention and control and business development. Its annual operating performance bucked up and reached a new high, while continuously achieving steady and high-quality development. As of the end of 2020, the Group's total assets exceeded RMB300 billion for the first time and amounted to RMB303.3 billion, an increase of approximately 95% from RMB155.7 billion recorded before the restructuring and listing in 2015; operating income amounted to RMB19.329 billion, a year-on-year increase of 5.37%; and net profit amounted to RMB3.268 billion, a year-on-year increase of 11.24%. Since the implementation of 13th Five-Year Plan, the Group's operating income and net profit both achieved growth at a compound annual growth rate of 11.97% and 25.44%, respectively. The return on average total assets and return on average equity in 2020 was 1.16% and 12.50%, respectively, an increase of 0.45 percentage point and 5.24 percentage points respectively compared with that of 2015. The Company's non-performing asset ratio has been controlled below 1% since the listing, and the objectives of 13th Five-Year Plan have been successfully achieved.

In 2020, in terms of services for epidemic prevention and control and resumption of work and production, the Company has provided support for more than 50 key projects greatly affected by the epidemic and about 4,000 customers in inclusive financing, such as rent extension and change of rent repayment plan, so as to alleviate the financial pressure of enterprises. In 2020, the Company has increased cooperation with domestic shipping companies, fully supported the shipping companies to resume work and resume production, and received 19 new ships worth US$620 million throughout the year; Signed eight new shipbuilding contracts with a project value of US$400 million, fulfilling the social responsibility of state-owned financial enterprises.

In terms of business development, the Group actively served to build a new development pattern, actively supported the real economy, made an effort to build a "customer-centered" business development model, centered on the Yangtze River Economic Belt and other major national strategic areas, focused on strategic emerging industries, new energy power stations, environmental protection and other key areas supported by the state, and actively responded to the initiative to jointly build "the belt and road", achieving new success in business results. The new business investment in the whole year amounted to RMB104.4 billion, and took the lead in the financial leasing industry in realizing the annual investment exceeding RMB100 billion, representing an increase of 11.96% as compared with that of 2019. The aircraft leasing business systematically promoted the five-year planning, steadily launched the business investment and continued subletting of expired aircraft, successfully sold 18 aircraft, and further optimized the fleet structure. The shipping business promoted the construction of the authorization system of the Ship Division, and strengthened cooperation with world-renowned enterprises, and delivered 32 ships throughout the year, further increasing the proportion of mainstream ship types. Inclusive finance business implemented the requirements of supporting the development of small and micro-finance, with an annual investment of RMB17.9 billion, representing an increase of 14% year-on-year, leasing more than 41,000 sets of equipment and serving nearly 13,000 small, medium and micro enterprises. Infrastructure leasing business focuses on key areas and weak links, actively supported key areas such as Yangtze River Economic Belt, Guangdong-Hong Kong-Macao Greater Bay Area, Beijing-Tianjin-Hebei, etc., and served the coordinated development of regions. Over RMB50 billion has been invested in the central and western regions throughout the year, accounting for 61.0% of RMB investment. The new energy leasing business promotes business development according to different customers' classification, and put into operation 24 photovoltaic power stations and wind power stations throughout the year, supporting the construction of 1.8GW of power stations, and practicing the requirements of green financial development.

In terms of asset and liability management, the Group actively tracked the trend changes, strengthened the financing rhythm and time limit scheduling, and the comprehensive cost of RMB and USD dropped significantly year-over-year, thus continuing to lead the industry. In response to the adverse impact of the market, the Group successfully issued tier-2 capital bonds of US$700 million, creating a precedent for leasing companies.

In terms of internal management, we put in place robust operating requirements, strengthened coordinated and centralized resources, promoted the linkage of comprehensive budget management, business plan and performance appraisal, and ensured the smooth achievement of business and budget objectives. The Group strengthened the supporting role of financial management for business development, strengthened the layout role of capital management, and enhanced the ability to discover the value of management accounting. The Group strengthened the construction of information systems, expedited to fill the shortcomings of information management, steadily promoted financial technology empowerment, and explored the construction of a digital leasing company.

In terms of risk control, we continued to improve the overall risk management system, strengthened risk investigation and control of key industries, and intensified efforts to resolve risks and non-performing projects. In the whole year, non-performing assets of RMB1,467.99 million were resolved and handled. By the end of 2020, the Group's non-performing asset ratio was 0.80%, and the provision coverage ratio was 625.95%, which further consolidated its ability to resist risks. Adhered to the rule of law and compliance guidance, we strengthened audit and discipline supervision, improved the internal management and supervision system, and ensured stable and far-reaching development.

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 2020, the Group maintained a steady increase in results, with its total revenue and other income amounting to RMB19,328.7 million, representing an increase of RMB985.5 million, or 5.4% as compared with that of last year. Profit for the year amounted to RMB3,268.3 million, representing an increase of RMB330.2 million, or 11.2% 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 decrease of financing cost rate and the year-on-year decrease of interest expenses.

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

(RMB in millions, except percentages)	**For the year ended December 31, 2020**	2019	Change
Revenue			
Finance lease income	**9,199.8**	8,287.4	11.0%
Operating lease income	**8,520.1**	8,236.7	3.4%
Total revenue	**17,719.9**	16,524.1	7.2%
Net investment gains	**41.2**	220.4	(81.3%)
Other income, gains or losses	**1,567.6**	1,598.7	(1.9%)
Total revenue and other income	**19,328.7**	18,343.2	5.4%
Depreciation and amortization	**(4,133.6)**	(3,738.4)	10.6%
Staff costs	**(430.4)**	(561.9)	(23.4%)
Fee and commission expenses	**(80.7)**	(53.9)	49.7%
Interest expense	**(6,980.8)**	(7,167.3)	(2.6%)
Other operating expenses	**(838.0)**	(791.8)	5.8%
Impairment losses	**(2,281.6)**	(2,037.2)	12.0%
Total expenses	**(14,745.1)**	(14,350.5)	2.7%
Profit before tax	**4,583.6**	3,992.7	14.8%
Income tax expense	**(1,315.3)**	(1,054.6)	24.7%
Profit for the year	**3,268.3**	2,938.1	11.2%

2.1.2 Total Revenue

Revenue of the Group was primarily derived from finance lease income and operating lease income. In 2020, the total revenue of the Group amounted to RMB17,719.9 million, representing an increase of RMB1,195.8 million, or 7.2% as compared with that of last year, due primarily to the continuous growth in business scale arising from the increasing investment in leased 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,**		
	2020	2019	Change
Finance lease income			
Aircraft leasing	**9.0**	125.2	(92.8%)
Infrastructure leasing	**6,483.6**	5,428.1	19.4%
Ship leasing	**831.8**	869.7	(4.4%)
Inclusive finance	**1,245.3**	1,235.6	0.8%
Others	**630.1**	628.8	0.2%
Total	**9,199.8**	8,287.4	11.0%

In 2020, finance lease income of the Group amounted to RMB9,199.8 million, accounting for 51.9% of the total revenue, representing an increase of RMB912.4 million, or 11.0% as compared with that of last year. The change of this income is due primarily to the increase of income from infrastructure leasing projects.

With respect to aircraft leasing, in 2020, finance lease income from this segment of the Group amounted to RMB9.0 million, representing a decrease of RMB116.2 million, or 92.8% as compared with that of last year, due primarily to the fact that the aviation segment mainly developed operating lease business in 2020, and the scale of finance lease business was reduced.

With respect to infrastructure leasing, in 2020, finance lease income from this segment of the Group amounted to RMB6,483.6 million, representing an increase of RMB1,055.5 million, or 19.4% as compared with that of last year, due primarily to the increase of infrastructure leasing investment and its finance lease scale throughout the year.

With respect to ship leasing, in 2020, finance lease income from this segment of the Group amounted to RMB831.8 million, representing a decrease of RMB37.9 million, or 4.4% as compared with that of last year, due primarily to the fact that the floating interest rate of some finance lease ships was in US dollars, and the project yield was affected by the decline of the London Interbank Offered Rate (LIBOR).

With respect to inclusive finance, in 2020, finance lease income from this segment of the Group amounted to RMB1,245.3 million, representing an increase of RMB9.7 million, or 0.8% as compared with that of last year.

With respect to others, in 2020, finance lease income from this segment of the Group amounted to RMB630.1 million, representing an increase of RMB1.3 million, or 0.2% as compared with that of last year.

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:

(RMB in millions, except percentages)	**For the year ended December 31, 2020**	2019	Change
Operating lease income			
Aircraft leasing	**7,350.0**	7,264.4	1.2%
Infrastructure leasing	**33.3**	39.2	(15.1%)
Ship leasing	**951.0**	755.3	25.9%
Inclusive finance	**–**	–	–
Others	**185.8**	177.8	4.5%
Total	**8,520.1**	8,236.7	3.4%

In 2020, operating lease income of the Group amounted to RMB8,520.1 million, accounting for 48.1% of the total revenue, representing an increase of RMB283.4 million, or 3.4% as compared with that of last year, due primarily to the increased investment in shipping business and number of operating lease fleets.

The operating lease income of the Group is mainly derived from aircraft operating lease business. In 2020, the operating lease income generated from aircraft leasing amounted to RMB7,350.0 million, accounting for 86.3% of the total operating lease income. The operating lease income from ship leasing amounted to RMB951.0 million, representing an increase of 25.9% as compared with that of last year.

2.1.2.3 Net Investment Gains

In 2020, net investment gains of the Group amounted to RMB41.2 million, representing a decrease of RMB179.2 million as compared with that of last year, due primarily to the reduction in investment income of trading financial assets held by the Group in 2020.

2.1.2.4 Other Income, Gains or Losses

In 2020, other income and gains of the Group amounted to RMB1,567.6 million, representing a decrease of RMB31.1 million, or 1.9% as compared with that of last year, due primarily to the appreciation of RMB against the US dollar, resulting in exchange losses, and the decline of the interest rate of interbank deposits, which reduced the interest income of bank deposits.

2.1.3 Cost and Expenses

In 2020, total expenses of the Group amounted to RMB14,745.1 million, representing an increase of RMB394.6 million, or 2.7% as compared with that of last year, due primarily to the increase in depreciation and amortization, impairment losses and other operating expenses.

2.1.3.1 Depreciation and Amortization

In 2020, the depreciation and amortization expenses of the Group amounted to RMB4,133.6 million, representing an increase of RMB395.2 million, or 10.6% as compared with that of last year, due primarily to the increase of operating lease assets and the increase of depreciation expense of ship assets.

2.1.3.2 Staff Costs

In 2020, staff costs of the Group amounted to RMB430.4 million, representing a decrease of RMB131.5 million, or 23.4% as compared with that of last year, due primarily to the decrease in staff costs following the change on internal and external policies as well as operation environment.

2.1.3.3 Fee and Commission Expenses

In 2020, fee and commission expenses of the Group amounted to RMB80.7 million, representing an increase of RMB26.8 million, or 49.7% as compared with that of last year, due primarily to the increase in project management fees.

2.1.3.4 Interest Expense

In 2020, interest expense of the Group amounted to RMB6,980.8 million, representing a decrease of RMB186.5 million, or 2.6% as compared with that of last year, due primarily to the year-on-year decrease of financing cost ratio of RMB and USD and the decrease of corresponding interest expense.

2.1.3.5 Other Operating Expenses

In 2020, other operating expenses of the Group amounted to RMB838.0 million, representing an increase of RMB46.2 million, or 5.8% as compared with that of last year, due primarily to the expansion of business scale, and increase of related service and management expenses.

2.1.3.6 Impairment Losses

In 2020, impairment losses of the Group amounted to RMB2,281.6 million, representing an increase of RMB244.4 million, or 12.0% as compared with that of last year, due primarily to the increased allowance for impairment of aircraft assets in order to resist the risk of the COVID-19 epidemic.

2.1.4 Profit before Income Tax

In 2020, profit before income tax of the Group amounted to RMB4,583.6 million, representing an increase of RMB590.9 million, or 14.8% as compared with that of last year, due primarily to the increased investment and the total amount of leased assets, and the facts that the leasing income maintained a high growth, the financing cost rate decreased, and the interest expenses decreased year-on-year.

2.1.5 Income Tax Expense

In 2020, income tax expense of the Group amounted to RMB1,315.3 million, representing an increase of RMB260.7 million, or 24.7% as compared with that of last year, due primarily to the increase in profit before income tax.

2.1.6 Profit for the Year

In 2020, profit for the year of the Group amounted to RMB3,268.3 million, representing an increase of RMB330.2 million, or 11.2% 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,** **2020**	2019	Change
Assets			
Cash and bank balances	**34,993.0**	21,528.3	62.5%
Financial assets at fair value through profit or loss	**216.9**	148.8	45.8%
Derivative financial assets	**328.3**	32.4	913.3%
Accounts receivable	**1,960.7**	2,168.5	(9.6%)
Finance lease receivables	**166,040.6**	141,498.1	17.3%
Prepayments	**15,829.8**	14,820.6	6.8%
Financial assets at fair value through other comprehensive income	**955.1**	–	100.0%
Assets held-for-sale	**–**	1,585.8	(100.0%)
Investment properties	**1,040.0**	990.4	5.0%
Property and equipment	**77,088.8**	73,260.8	5.2%
Deferred tax assets	**1,330.8**	1,428.9	(6.9%)
Right-of-use assets	**181.1**	604.5	(70.0%)
Other assets	**3,364.6**	3,233.6	4.1%
Total assets	**303,329.7**	261,300.7	16.1%
Liabilities			
Borrowings	**210,382.0**	174,135.6	20.8%
Due to banks and other financial institutions	**895.7**	–	100.0%
Derivative financial liabilities	**1,416.2**	789.2	79.4%
Accrued staff costs	**155.7**	304.0	(48.8%)
Tax payable	**342.0**	576.6	(40.7%)
Bonds payable	**46,221.7**	42,811.3	8.0%
Deferred tax liabilities	**757.8**	827.3	(8.4%)
Lease liabilities	**196.5**	626.5	(68.6%)
Other liabilities	**16,332.8**	15,560.9	5.0%
Total liabilities	**276,700.4**	235,631.4	17.4%
Total equity	**26,629.3**	25,669.3	3.7%

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. As of December 31, 2020, these assets accounted for 97.6% of the total assets. As of December 31, 2020, total assets of the Group amounted to RMB303,329.7 million, representing an increase of RMB42,029.0 million, or 16.1% as compared with that as of the end of last year, due primarily to the high pace of the Group's investment and the increase in the issuance of tier-2 capital bonds and liquidity reserves.

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, 2020, 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, 2020, accounts receivable of the Group amounted to RMB1,960.7 million, representing a decrease of RMB207.8 million, or 9.6% as compared with that as of the end of last year, due primarily to the full recovery of advances for finance lease projects.

2.2.1.2 Finance Lease Receivables

(RMB in millions, except percentages)	**As of December 31,** **2020**	2019	Change
Finance lease receivables-gross	**205,778.5**	180,161.3	14.2%
Less: unearned finance income	**(33,917.0)**	(33,007.7)	2.8%
Finance lease receivables-net	**171,861.5**	147,153.6	16.8%
Less: allowance for impairment losses	**(5,820.9)**	(5,655.5)	2.9%
Finance lease receivables-carrying value	**166,040.6**	141,498.1	17.3%

As of December 31, 2020, finance lease receivables of the Group amounted to RMB166,040.6 million, representing an increase of RMB24,542.5 million, or 17.3% as compared with that as of the end of last year, due primarily to the increased investment and continuous growth of the Group's finance lease business.

2.2.1.3 Prepayments

As of December 31, 2020, prepayments of the Group amounted to RMB15,829.8 million, representing an increase of RMB1,009.2 million, or 6.8% as compared with that as of the end of last year, due primarily to the Group's increased businesses in ships and aircraft, and increased investment in new ships 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, 2020, equipment held for operating lease of the Group amounted to RMB76,299.1 million, representing an increase of RMB3,938.4 million, or 5.4% as compared with that as of the end of last year, due primarily to the increase in the scale of ships for operating lease.

As of December 31, 2020, property and equipment held for administrative purpose of the Group amounted to RMB789.7 million, representing a decrease of RMB110.4 million, or 12.3% as compared with that as of the end of last year, due primarily to the increase in depreciation of property and equipment held for administrative purpose, and the conversion of some property held for administrative purpose into investment properties.

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

(RMB in millions, except percentages)	**As of December 31,** **2020**	2019	Change
Property and equipment			
Equipment held for operating lease	**76,299.1**	72,360.7	5.4%
Property and equipment held for administrative purpose	**789.7**	900.1	(12.3%)
Property and equipment – carrying value	**77,088.8**	73,260.8	5.2%

2.2.1.5 Cash and Bank Balances

As of December 31, 2020, the cash and bank balance of the Group amounted to RMB34,993.0 million, representing an increase of RMB13,464.7 million, or 62.5% as compared with that as of the end of last year, due primarily to the increase of liquidity reserve of the Group, and the increase of the funds obtained from issuing tier-2 capital bonds.

2.2.1.6 Other Assets

Other assets mainly included other accounts receivable, prepaid expenses, deductible input value-added tax, debt-paying assets and land use rights. As of December 31, 2020, other assets of the Group amounted to RMB3,364.6 million, representing an increase of RMB131.0 million, or 4.1% as compared with that as of the end of last year, due primarily to the increase of factoring business receivables.

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:

(RMB in millions, except percentages)	**As of December 31, 2020**	2019	Change
Finance lease related assets			
Finance lease receivables	**166,040.6**	141,498.1	17.3%
Accounts receivable – finance lease projects			
Advances	**–**	1,494.9	(100.0%)
Total	**166,040.6**	142,993.0	16.1%

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

(RMB in millions, except percentages)	**As of December 31, 2020**	2019	Change
Operating lease assets			
Investment properties	**1,040.0**	990.4	5.0%
Property and equipment – equipment held for operating lease	**76,299.1**	72,360.7	5.4%
Total	**77,339.1**	73,351.1	5.4%

Finance lease assets and operating lease assets of the Group represented a year-on-year increase of 16.1% and 5.4% respectively. In 2020, the Group maintained significant investment in leasing, and the balance of leased assets maintained a steady growth trend year-on-year.

2.2.3 Total Liabilities

As of December 31, 2020, total liabilities of the Group amounted to RMB276,700.4 million, representing an increase of RMB41,069.0 million, or 17.4% as compared with that as of the end of last year, due primarily to the increase of investment in business and the expanded scale of financing.

2.2.3.1 Borrowings

As of December 31, 2020, the balance of borrowings of the Group amounted to RMB210,382.0 million, representing an increase of RMB36,246.4 million, or 20.8% as compared with that as of the end of last year, due primarily to the increase in financing to support the development of business scale.

2.2.3.2 Bonds Payable

As of December 31, 2020, the balance of bonds payable of the Group amounted to RMB46,221.7 million, representing an increase of RMB3,410.4 million, or 8.0% as compared with that as of the end of last year, due primarily to the increase in financing to support the development of business scale.

2.2.3.3 Other Liabilities

As of December 31, 2020, the balance of other liabilities of the Group amounted to RMB16,332.8 million, representing an increase of RMB771.9 million, or 5.0% as compared with that as of the end of last year, due primarily to the increase of accounts received in advance.

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:

(RMB in millions, except percentages)	**For the year ended December 31, 2020**	2019	Change
Net cash flows from operating activities	**27,806.8**	9,902.7	180.8%
Net cash flows from investing activities	**(13,007.6)**	(10,137.1)	28.3%
Net cash flows from financing activities	**1,225.1**	1,080.7	13.4%
Net increase in cash and cash equivalents	**16,024.3**	846.3	1,793.5%

In 2020, net cash inflow from the operating activities of the Group amounted to RMB27,806.8 million, representing an increase of 180.8% as compared with that of last year, due primarily to the increase in the net increase of the borrowing of the Group in 2020 compared with that of 2019. In the same year, the net cash outflow from the investment activities of the Group amounted to RMB13,007.6 million, representing an increase of 28.3% as compared with that of last year, due primarily to the increase in cash outflow from the purchase of financial assets. In addition, in 2020, the net cash inflow generated by the financing activities of the Group amounted to RMB1,225.1 million, representing an increase of 13.4% as compared with that of last year, due primarily to the increase in the amount received by the Group from issuing bonds compared with that of 2019.

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. In 2020, the Group persisted in focusing 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 2020, the total lease financing to lessees of the Group amounted to RMB104,398.0 million, among which the lease financing to lessees in aircraft leasing, infrastructure leasing, ship leasing, inclusive finance and others were RMB14,292.6 million, RMB59,223.6 million, RMB8,200.8 million, RMB17,958.8 million and RMB4,722.2 million, respectively.

The following table sets forth the assets of each business segment of the Group as of the dates indicated:

	As of December 31,			
(RMB in millions, except percentages)	**2020**		2019	
Segment assets	**Amount**	**Proportion**	Amount	Proportion
Aircraft leasing	**94,673.5**	**31.3%**	93,839.3	36.1%
Infrastructure leasing	**136,052.4**	**45.1%**	100,713.3	38.7%
Ship leasing	**34,183.2**	**11.3%**	27,247.1	10.5%
Inclusive finance	**25,131.3**	**8.3%**	23,030.2	8.9%
Others	**11,958.4**	**4.0%**	15,041.8	5.8%
Total	**301,998.8**	**100.0%**	259,871.7	100.0%

The following table sets forth the revenue and other income of each business segment of the Group for the years indicated:

	For the year ended December 31,			
(RMB in millions, except percentages)	**2020**		2019	
Segment revenue and other income	**Amount**	**Proportion**	Amount	Proportion
Aircraft leasing	**8,250.9**	**42.7%**	8,534.4	46.5%
Infrastructure leasing	**6,682.2**	**34.6%**	5,776.2	31.5%
Ship leasing	**2,356.3**	**12.2%**	1,949.5	10.7%
Inclusive finance	**1,262.7**	**6.5%**	1,255.4	6.8%
Others	**776.6**	**4.0%**	827.7	4.5%
Total	**19,328.7**	**100.0%**	18,343.2	100.0%

The following table sets forth the profit/(loss) before income tax of each business segment of the Group for the years indicated:

(RMB in millions)	**For the year ended December 31,**	
	2020	2019
Segment profit/(loss) before income tax	**Amount**	Amount
Aircraft leasing	**(305.9)**	1,605.8
Infrastructure leasing	**2,555.1**	1,728.7
Ship leasing	**663.7**	362.4
Inclusive finance	**659.2**	408.5
Others	**1,011.5**	(112.7)
Total	**4,583.6**	3,992.7

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

	For the year ended December 31,	
	2020	2019
Segment profit margin before income tax(1)		
Aircraft leasing	**(4.16%)**	21.73%
Infrastructure leasing	**39.21%**	31.62%
Ship leasing	**37.23%**	22.30%
Inclusive finance	**52.94%**	33.06%
Others	**123.95%**	(13.97%)

(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,	
	2020	2019
Segment return on assets before income tax(1)		
Aircraft leasing	**(0.32%)**	1.76%
Infrastructure leasing	**2.16%**	1.77%
Ship leasing	**2.16%**	1.48%
Inclusive finance	**2.74%**	1.84%
Others	**7.49%**	(0.86%)

(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*

Airlines entered 2020 in relatively good financial shape. However, the global pandemic challenged the sector for its very survival in 2020 as governments enacted international border closures and domestic lockdowns to prevent the spread of the COVID-19, hampering air travel.

In this pandemic-battered operating environment, the airlines recorded revenues reduced by 60.9%, from US$838 billion in 2019 to US$328 billion in 2020, with deep losses across all markets. To help the sector navigate these difficult conditions, governments provided US$173 billion in financial support and the airlines rolled out cost-saving measures, which allowed them to reduce overall expenses by 45.8%, from US$795 billion in 2019 to US$430 billion in 2020[1].

The International Air Transport Association (IATA) revised its financial industry outlook for 2020, showing that passenger numbers are expected to plummet to 1.8 billion. The association predicted further weakness in yields, which are expected to be down 8% compared to 2019, and in passenger load factors, which are anticipated at 65.5%, down from the 82.5% recorded in 2019. Cargo is the one bright spot, with its enlarged footprint expected to remain, with revenues on track to reach a near-record US$117.7 billion in 2020 (up from US$102.4 billion in 2019)[1].

At year-end mark, the industry appeared to be in the early stages of the expected gradual recovery, with some indications that traffic is showing slow improvements. The airlines with larger domestic markets or with large cargo operations are performing better. There are also differences between the regions with Asia Pacific and North American carriers seeing the most reductions in expected losses. Airline financial performance is expected to see a gradual improvement in the future, even if historically deep losses prevail. The expected US$38.7 billion loss in 2021 will be second only to 2020 performance[1].

The biggest factors impeding the industry's recovery are continued travel restrictions and quarantine measures that effectively prevent a meaningful revival of travel. As the recovery progresses, the global rollout of vaccines and harmonized measures agreed by medical and industry experts for the industry re-start through the International Civil Aviation Organization (ICAO) are believed to be key to restoring air connectivity and increasing passenger volumes. While the industry is expected to gradually improve its performance compared to 2020, the road to recovery is likely to be long and difficult. Passenger volumes are not expected to return to 2019 levels in the near future, with domestic markets recovering faster than international services[1].

Aviation remains an integral part of transportation systems around the world. The maturation of many emerging market economies will further increase consumer spending's share of economic activity, bolstering demand for air travel. Over the last decade, growth in passenger air travel averaged 6.5% per year, well above the long-term average of 5%. While aviation has seen periodic demand shocks since the beginning, the industry has recovered from these downturns every time. In addition, coming out of every crisis, the industry has innovated by improving service and value for the traveling public[2].

1 International Air Transport Association (IATA) release, November 2020.

2 Boeing and Airbus Forecasts 2020.

While many of the world's airlines grew their fleets through deliveries of new airplanes and often delayed airplane retirements to accommodate passenger demand over the past decade, the current market disruption will shape airline fleet strategies long into the future as airlines make decisions to renew their fleets and resume growth. Airlines will focus on building versatile fleets that provide future network flexibility, maximizing capability while minimizing risk, and improving efficiency and sustainability[2].

The demand for leased aircraft is expected to continue with lessors playing a vital role in providing finance and liquidity to airlines, including through purchase-and-leasebacks of both new and used aircraft. Competition from lessors and other investors remains heightened for both the placement of new and used aircraft and for purchase-and-leaseback transactions.

The pandemic-battered environment has inflicted an array of unexpected and unparalleled challenges upon all stakeholders across the global air transport sector, generating significant near-term headwinds. In the face of these adverse conditions, our team has persisted to attain continued growth and advance key initiatives that have progressed several aspects of our long- term vision.

Despite the near term adverse market conditions in 2020 and the expected gradual recovery of the airline sector, the Group has been able to leverage its aircraft leasing platform to work with existing and new airline customers, our Shareholder, and other industry stakeholders to support the sector's recovery, while strengthening the platform's capabilities and financial position to enable further growth and ensure sufficient liquidity for the future.

The Group also acted quickly in realigning its orderbook to the change in the industry outlook in close co-operation with OEMs. Through the challenges brought by COVID-19, aircraft leasing is still one of the core business segments of the Group in what remains an intensely competitive environment, benefited from its scale in the industry and the strength of the wider CDB Group.

Major highlights for 2020 include:

- Signed new lease transactions (including order placement, sale-lease-back, remarketing and extension) for a total of 77 aircraft with 20 customers;

- Sold 18 aircraft with a total gain of US$78.5 million during 2020;

- Acquired 29 aircraft on operating lease, including 3 via direct OEM orders, 21 via sale-lease-back, 3 via JOLCO（Japanese operating lease with call option） purchase options and 2 via portfolio acquisitions;

- Signed financing transactions for US$4.7 billion;

- CDB Aviation Lease Finance Designated Activity Company was reaffirmed of investment grade ratings by S&P (A/Stable), Fitch (A+/Stable) and Moody's (A1/ Negative); and

- Added 5 new airline customers.

As of December 31, 2020, the Group owned and managed a well-diversified portfolio of 238 delivered aircraft assets on lease to 74 lessees in 37 jurisdictions. As of December 31, 2020, total assets of the aircraft leasing segment of the Group amounted to RMB94,673.5 million, representing an increase of 0.9% compared to December 31, 2019, and the total revenue and other income of the aircraft leasing segment amounted to RMB8,250.9 million, representing a year-on-year decrease of 3.3%. The assets of the aircraft leasing segment accounted for 31.3% of the Group, representing a decrease of 4.8 percentage points compared to December 31, 2019. The revenue and other income of the aircraft leasing segment accounted for 42.7% of the Group, representing a decrease of 3.8 percentage points compared to last year.

As of December 31, 2020, the Group had a total portfolio of 399 aircraft, consisting of 236 owned aircraft, 2 managed aircraft and 161 committed aircraft. As of December 31, 2020, 235 owned aircraft of the Group were held for operating lease and 1 owned aircraft of the Group was under finance lease. As of December 31, 2020, the weighted average age by net book value of the Group's owned aircraft held for operating leases was 4.5 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 aircraft types such as Airbus A320ceo and A320neo family aircraft and Boeing 737 NG and 737 MAX family aircraft, and wide-body aircraft types such as the Airbus A330ceo, A330neo and A350, and the Boeing 777-300ER and 787-9. As of December 31, 2020, weighted by net book value, the Group's aircraft fleet consists of 67% narrow-body aircraft, 29% wide-body aircraft and 4% regional and other aircraft. As of December 31, 2020, the net book value of the Group's owned aircraft was US$9,589.0 million.

The Group's orderbook contains next-generation, liquid, narrow-body types. As of December 31, 2020, the Group has committed to purchase 138 aircraft under its direct OEM orders, including 66 aircraft from Boeing[3] and 72 aircraft from Airbus. These aircraft are scheduled to be delivered between 2021 and 2026. The Group also has contractual commitments to acquire a further 23 aircraft under sale and leaseback transactions[4]. The aggregate of these commitments net of predelivery payments paid is RMB48,051 million.

3 A total of 35 undelivered Boeing 737 MAX 8 order has been cancelled by the Group and all 737 MAX 10 aircraft order has been transferred to 737 MAX 8 in 2020.

4 Three committed Airbus A330-900 aircraft under sale and leaseback transactions has been cancelled by the Group in 2020.

The following table shows the composition of the Group's fleet and committed aircraft as of December 31, 2020:

Aircraft Type	**Owned aircraft**	**Managed aircraft**	**Committed aircraft**	**Total**
A319-100	4	–	–	4
A320-200	41	–	–	41
A321-200	10	–	–	10
A330-200	8*	–	–	8
A330-300	25**	–	–	25
A330-900	5	–	–	5
A350-900	2	–	–	2
A320neo	37	–	50	87
A321neo	15	–	34	49
Airbus Total	**147**	**0**	**84**	**231**
737-700	2	–	–	2
737-800	53	–	–	53
777-300ER	1	2	–	3
737 Max 8	11	–	76	87
787-9	1	–	1	2
Boeing Total	**68**	**2**	**77**	**147**
E190-100LR	20	–	–	20
Embraer Total	**20**	**–**	**–**	**20**
Other	**1**	**–**	**–**	**1**
Total	**236**	**2**	**161**	**399**

* One A330-200 aircraft is under teardown and will exit the fleet in 2021.

** Two A330-300 aircraft will be converted to freighters in 2021.

In the above table, one Other aircraft was 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.

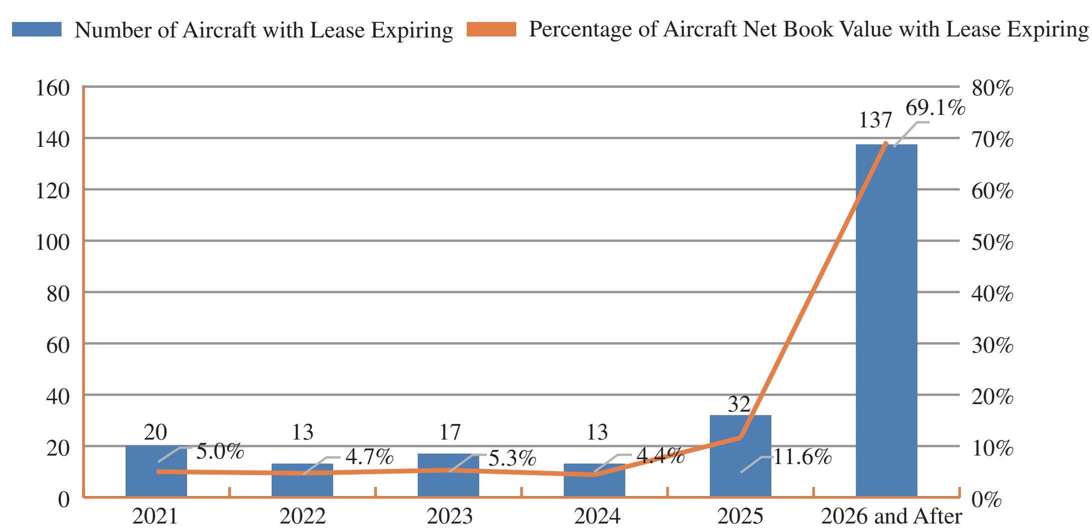
Among 161 aircraft committed as of December 31, 2020 (including direct OEM orders and sale-lease-backs), 38 are scheduled for delivery in 2021, 19 in 2022, 32 in 2023 and 72 after 2023.

As of December 31, 2020, of the 138 aircraft committed to be purchased directly from OEMs, 20 were committed for lease, of which 17 were scheduled for delivery in 2021 and three in 2022. The remaining two aircraft scheduled for delivery in 2021 had letters of intent signed.

As of December 31, 2020, the Group was committed to sale-and-leaseback transactions covering 23 aircraft, including 19 scheduled for delivery in 2021 and four in 2022.

The following chart shows the breakdown of the number of aircraft and percentage of net book value balance as of December 31, 2020 of those owned aircraft under operating lease with leases expiring in the future, excluding any aircraft for which the Group has a sale commitment or under teardown or freighter conversion. As of December 31, 2020, 16 of the 20 aircraft to expire in 2021 have agreements or letters of intent signed for lease transitions or extensions.

Number of Aircraft with Lease Expiring & Percentage of Net Book Value with Lease Expiring



During 2020, the Group signed lease extensions for 16 aircraft and lease transitions for 10 remarketed aircraft. As of December 31, 2020, all owned and managed aircraft were committed to lease except for one aircraft that have been terminated early from South African Airways which is under remarketing to new lessees.

The Group continued to trade aircraft during 2020, selling 18 aircraft in total with a gain on disposal of US$78.5 million and a total net book value of US$548.9 million. In 2020, the leases of 4 aircraft under finance lease were expired or terminated early. The Group's owned aircraft under operating lease maintained 99.5% fleet utilization.

In 2020, the net lease yield of the operating leased aircraft was 7.8%[5], the lease yield of the finance leased aircraft was 4.9%[6]. In 2020, the annualized pre-tax return on average total aircraft leasing assets was -0.3%, a decrease of 2.1 percentage points from 1.8% of 2019. The decrease of profitability comparing to 2019 is primarily due to increased impairment for both aircraft assets and receivables following the impact of COVID-19 on the global aviation industry. The pandemic has greatly impacted the aviation industry, and the restrictions on workforce and travel have resulted in a reduction in airlines' revenues of 60.9%. This decline in revenue generation and profitability for the global aviation industry has impacted the fair value of certain aircraft type, such as the A330 and E190 families. In addition, the COVID-19 pandemic has also impacted the ability of airlines to make on-time payment to lessors, resulting in an increase in receivables over the course of 2020.

The following table sets forth a breakdown of the Group's revenue and assets of aircraft leasing by region of lessee for 2020:

Region	**Percentage of lease revenue in 2020**	**Percentage of net book value as of December 31, 2020**
The PRC	45.2%	32.3%
Asia Pacific (excluding the PRC)	24.1%	25.9%
Europe	18.2%	22.9%
Americas	6.2%	13.5%
Middle East	3.2%	2.9%
Africa	3.1%	2.2%
Off-lease	–	0.3%
Total	**100.0%**	**100.0%**

5 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.

6 The calculation is lease income/average monthly balance of aircraft finance lease assets. The decrease of the lease yield in finance lease in 2020 is mainly due to the lease expiry or termination of aircraft under finance lease. There was five finance leased aircraft as of December 31, 2019, however, only one aircraft remained as of December 31, 2020 and therefore the impact of finance lease on revenue is immaterial.

The following table provides a breakdown of the Group's owned aircraft by OEM as of December 31, 2020:

	Percentage by net book value as of December 31, 2020
OEM	
Airbus	70.5%
Boeing	25.7%
Others	3.8%
Total	100.0%

3.2 Infrastructure Leasing

Infrastructure leasing business is the most important business segment of the Group with the largest assets, which plays a cornerstone role in promoting the growth of assets and business scale. As of December 31, 2020, the total assets of the infrastructure leasing segment of the Group amounted to RMB136,052.4 million, representing an increase of RMB35,339.1 million, or 35.1% as compared with that as of the end of last year. In 2020, the revenue and other income of this segment amounted to RMB6,682.2 million, representing an increase of RMB906.0 million, or 15.7% as compared with that of last year.

3.2.1 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, 2020, the existing leasing projects of the Group involved transportation infrastructure such as toll roads, railways and rail transit equipment in 16 provinces in the PRC.

3.2.2 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. 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 responded actively to market and policy changes, strengthened the guiding effect for business of research on these changes, duly optimized the review policy, deepened the "customer-centered" business development model, and continuously improved and consolidated its market competitive advantage.

As of December 31, 2020, the Group provided leasing services for water, gas, heating, pipelines and other operational urban utility facilities in 26 provinces, autonomous regions and direct controlled municipalities in the PRC, and provided social housing leasing service in 4 provinces, autonomous regions and direct controlled municipalities in the PRC.

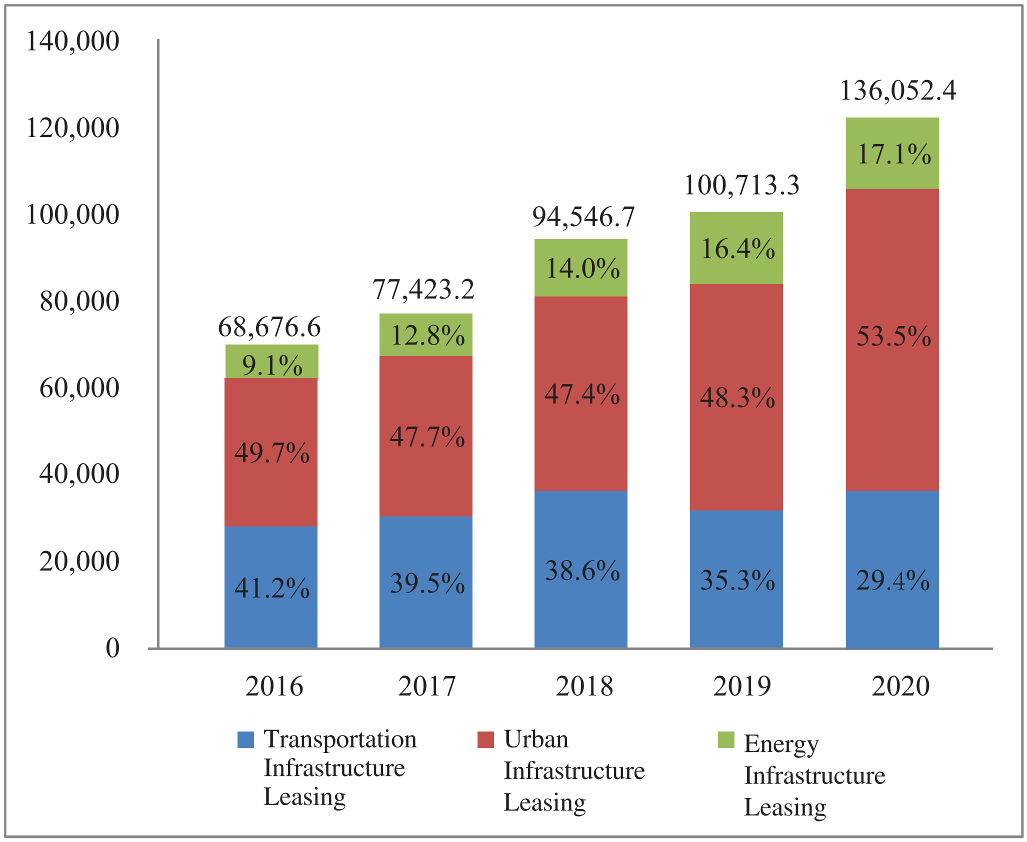
3.2.3 Energy Infrastructure Leasing

The Group increased its efforts in the development of key customers, strengthened the development of new energy projects, continuously improved its specialization in the field of new energy power generation, and the energy infrastructure leasing business generally showed steady development. In 2020, the Group achieved a year-on-year increase of 33.3% in the lease financing to lessees in new energy projects and had 24 newly added new energy power stations, representing a year-on-year increase of 26.3%. As of December 31, 2020, the balance of new energy lease assets accounted for 71.3% 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, 2020, the Group mainly provided energy and electric power equipment leasing services to enterprises in 24 provinces, autonomous regions and direct controlled municipalities in the PRC.

Balance of Infrastructure Assets

(Unit: RMB million)



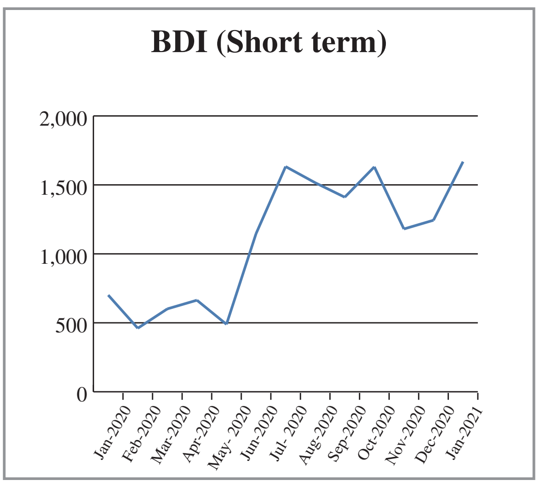
The following table sets forth the net carrying amount and proportion of assets related to leasing business of each sub-segment in infrastructure leasing of the Group as of the dates indicated:

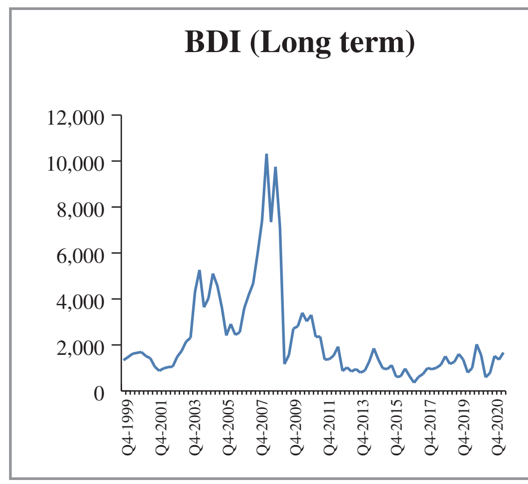
(RMB in millions, except percentages)	**Net carrying amount of sub-segment's assets related to leasing business as of December 31, 2020**	**Percentage of net carrying amount of sub-segment's assets related to leasing business as of December 31, 2020**
Transportation infrastructure leasing	40,036.5	29.4%
Urban infrastructure leasing	72,725.4	53.5%
Energy infrastructure leasing	23,290.5	17.1%
Total	**136,052.4**	**100.0%**

3.3 *Ship Leasing*

3.3.1 Shipping Market

In 2020, the sudden outbreak of COVID-19 has led to varying degrees of decline in the GDP of major international economies. The global bulk carrier shipping trade volume decreased by 2.1%, while the bulk carrier capacity supply increased by 3.8% in the same period, which put the bulk carrier transportation market under high pressure. In the first half of 2020, the Baltic Exchange Dry Index (BDI) continued to run at a low level under 800 points for five months. In the second half of 2020, due to the effective control of the epidemic situation in China, the resumption of work and production in China went smoothly. Driven by the rebound of China's import demand for iron ore, grain and other mass commodities, and the increasing of iron ore export shipments from Brazil, Australia and other countries, the global bulk carrier transportation market gradually recovered, and the BDI index rebounded sharply and gradually stabilized.





Data source: CLARKSONS, January 2021

CLARKSONS, the well-known British shipping research institution, predicted that the global bulk carrier capacity supply would increase by 2.6% in 2021, and the seaborne trade volume of bulk carriers would increase by 4% in the same period. Although the current COVID-19 epidemic is still raging all over the world, it is expected that the shipping market, especially the dry bulk carrier transportation market, will be significantly improved in 2021 with the smooth development of vaccine research and the gradual implementation of proper epidemic prevention and control measures in various countries.

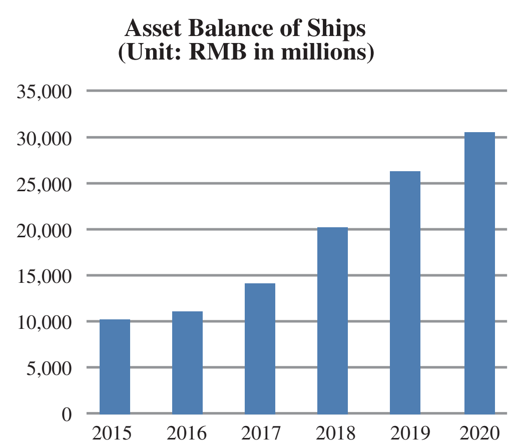
3.3.2 Balance of Assets

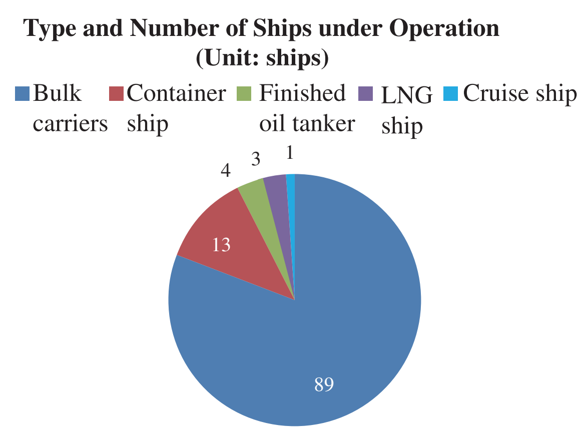
As of December 31, 2020, the total assets of the ship leasing business of the Group amounted to RMB34,183.2 million, of which the ship leasing assets amounted to RMB30,490.0 million (the balance of finance lease related assets amounted to RMB12,370.4 million, the balance of assets in relation to operating lease amounted to RMB13,624.8 million, and the balance of prepayments amounted to RMB4,494.8 million), and other related assets amounted to RMB3,693.2 million. The total assets of the Group's ship leasing business increased by RMB6,936.1 million, which is a 25.5% increase from the end of the last year.

In 2020, the Group's ship leasing business recorded a 20.9% increase in revenue and other income of RMB2,356.3 million, an increase of RMB406.8 million from last year.

3.3.3 Capacity Structure

As of December 31, 2020, there was a total of 110 vessels under the existing fleet of the Group, among them there were 85 vessels under operating leasing, including 81 bulk carriers (another 24 vessels under construction, and 5 second-hand vessels to be delivered with deposit paid) and 4 product tankers (another 10 product tankers to be delivered); there were 25 vessels under finance lease, including 13 container ships, 8 bulk carriers, 3 LNG ships and 1 cruise ship (partial property rights).





3.3.4 Business Highlights

In 2020, the COVID-19 epidemic spread around the world, which had a huge impact on the international bulk carrier transportation market, mainly reflected in three aspects: first, the Time Charter Equivalent of bulk carriers decreased by about 18% compared with that of the same period of last year; second, countries all over the world have adopted strict lockdown or restriction policies, which has affected the shift change of crew members and led to serious overtime service of crew members, which left psychological impact on crew members and caused hidden dangers in ship operation; third, the supply of materials and spare parts needed for daily maintenance of ships were affected. At the beginning of the epidemic, the Group realized the potential risks and took positive measures: first, in view of the sluggish and complex market conditions, it adopted measures such as setting floor rates of charter hire, using freight futures derivatives to hedge risks, and strictly select counterparties and charterers to reduce risks; second, it adhered to the "people-oriented" policy, actively coordinated ship management companies and other relevant parties, and completed the shift change of 620 crew members of 31 time-chartered ships throughout the year. There was no infection event or safety accident under the Group's operating fleet during the COVID-19 epidemic, which ensured the physical and mental health of the crew members and the safe operation of the ships, and has won wide acclaim from the majority of crew members and inside and outside the industry; third, it arranged the procurement of ship materials reasonably, implemented the supporting logistics in advance, and ensured that the spare parts of vessels were in place in time. Due to the timely and effective responses to the epidemic, the ship leasing business segment of the Group still achieved good results in 2020 when the shipping market was significantly depressed.

3.3.5 Management Promotion

In 2020, the Group introduced a series of ship leasing business related systems and policies, started the construction of ship leasing business system, strengthened the tracking research on the development trend of shipping market, established the quality evaluation system of operating lease assets and the ship value evaluation model, and examined the pre-credit approval mechanism of operating lease business. The above measures have greatly improved the management level and professional ability of the Group's ship leasing business segment, further standardized the operation of ship leasing business, especially ship operating leasing business, gradually improved the professional operation mechanism of the ship segment, and continuously consolidated the long-term development foundation of the Group's ship leasing business.

3.4 Inclusive Finance

Since the 19th National Congress of the Communist Party of China, China's economy has changed from a high-speed growth stage to a high-quality development stage, paying more attention to the upgrading of factor quality and the optimization of resource allocation, and emphasizing the formation of new kinetic energy of industrial development driven by scientific and technological development and innovation. At the same time, the CPC Central Committee and the State Council attached great importance to the development of inclusive finance, focused on building an inclusive finance system, and strengthened financial services for small and micro enterprises, "agriculture, rural areas and farmers" and remote areas. The Group actively responded to the call of the state, and during the "Thirteenth Five-Year Plan" period, it gave full play to the advantages of leasing, continuously explored and practiced in supporting the upgrading of manufacturing industry and serving small and micro-finance, seized the market opportunity, and took the lead in setting up the inclusive finance business department in the finance lease industry, focusing on the two business segments of Vehicle Leasing and Construction Machinery Leasing. On the one hand, it further promoted the cooperative relationship with leading domestic manufacturers, continuously strengthened support for the real economy, and continuously improved the service satisfaction of small and micro customers; on the other hand, it vigorously promoted the stable development of inclusive finance business, comprehensively built a multi-level and three-dimensional inclusive finance business system in the fields of production materials and consumption, and embarked on a market-oriented and professional development road in inclusive finance, and achieved remarkable development results. From 2016 to 2020, the balance of the Group's assets, income and other gains of inclusive finance increased year by year. Inclusive finance has become a stable and sustainable business growth pole of the Group.

In the first half of 2020, the COVID-19 epidemic spread all over the world, and small and medium-sized customers were generally trapped. The Group fully implemented the epidemic prevention and control arrangements of the CPC Central Committee, actively strengthened the interaction with cooperative customers, and formulated support policies during the epidemic prevention and control period within one week. It actively implemented the preferential scheme for deferred payment of rent for inclusive customers to reduce the liquidity risk of inclusive customers. In the three months when the epidemic situation was strictly controlled, the Group continued to maintain stable provision of leasing services to help the cooperative manufacturers to withdraw the cash flow from sales, quickly accepted the extension application of about 4,000 small and medium-sized customers and completed the rent adjustment work; it supported the new leasing needs of small, medium and micro customers by various leasing methods, continuously ensured the capital supply of small and micro-finance, and gave play to the mission and responsibility of state-owned financial institutions during the epidemic prevention and control period.

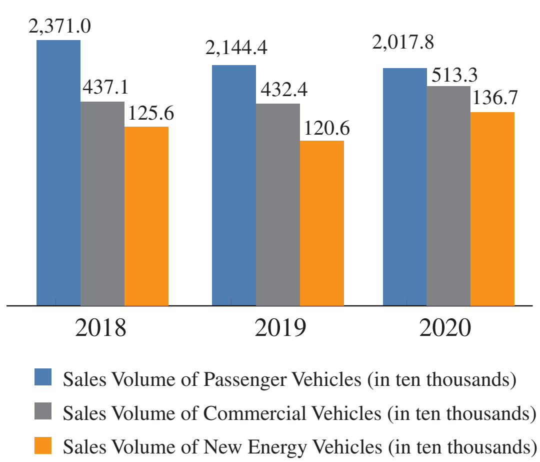
In 2020, the Group overcame the impact of COVID-19 epidemic, adhered to its functional orientation, actively approached the market, strengthened the management of existing assets, optimized the allocation of incremental resources, improved various management processes and systems, and effectively promoted the sustainable and healthy development of inclusive finance business. The Group vigorously promoted the digital transformation of inclusive finance business, further strengthened the refined management of the whole business process, and laid a solid foundation for realizing the digital management of inclusive finance business. As of December 31, 2020, the total assets of the inclusive finance business of the Group amounted to RMB25,131.3 million, representing an increase of RMB2,101.1 million, or 9.1% as compared with that as of the end of last year. Revenue and other income from inclusive finance business amounted to RMB1,262.7 million, representing an increase of RMB7.3 million, or 0.6% as compared with that of the same period of last year. The asset scale of inclusive business increased year-on-year, and the revenue basically remained the same, primarily due to a great profit cutting by the Group in favor of small and micro customers. Meanwhile, benefiting from the decrease in the financing cost, the stable asset quality, the quick turnover of stock business assets, and the high capital utilization rate, the year-on-year increase of profit before tax of the inclusive business sector was realized.

3.4.1 Vehicle Leasing

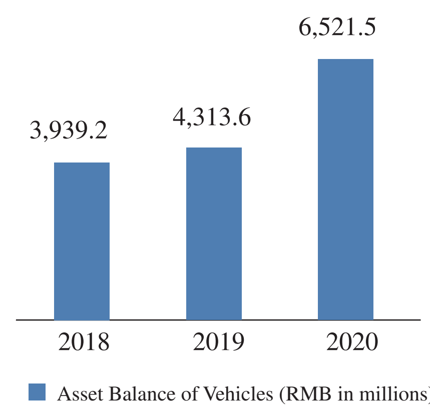
In the first quarter of 2020, affected by the epidemic, the sales volume of the domestic vehicle market declined, but since April 2020, the sales volume of the domestic vehicle market resumed to grow, with the whole year's growth rate ranking the first in the world. According to the statistics of China Association of Automobile Manufacturers, the sales volume of passenger cars in 2020 amounted to 20.178 million units, representing a decrease of 5.9% year-on-year. The sales volume of commercial vehicles amounted to 5.133 million units, representing an increase of 18.7% year-on-year. The sales volume of new energy vehicles amounted to 1.367 million units, representing an increase of 13.4% year-on-year. It can be seen from the statistics that commercial vehicles and new energy vehicles are growing against the trend under the influence of the epidemic, while passenger cars are still declining year-on-year. From the perspective of the development trend of the automobile industry, with the steady recovery of the national economy, the recovery of consumer demand will be accelerated, and the overall potential of China's automobile market is still huge, so it is judged that the overall recovery growth will be realized in 2021.

In 2020, adhering to the principle of sound operation, the Group has continuously tracked and judged the development trend of the vehicle leasing market, and exerted the synergy with CDB to develop the vehicle leasing business steadily. In terms of commercial vehicle business, the Group actively planed and marketed, closely focused on the financial needs of leading manufacturers, and solidly promoted the comprehensive financial services of the vehicles and financial sectors for cooperative manufacturers. In terms of new energy buses business, the Group actively responded to the series of arrangements made by the CPC Central Committee, the State Council and the head office to promote environmental protection business, linked working groups in various regions of the Group to broaden business sources, deepened cooperation with manufacturers, bus customers and financial peers, and implemented the concept of combining green finance with inclusive finance to realize the coordinated development of the real economy and emerging industries. In terms of passenger car business, the Group focused on the center and drove innovation, steadily promoted the transformation and development of the passenger car business, improved the risk control capability through big data technology, and vigorously promoted the passenger car business to gradually transform into the C-end product model.

Domestic Vehicle Sales Trend



Asset Balance of the Group's Vehicle



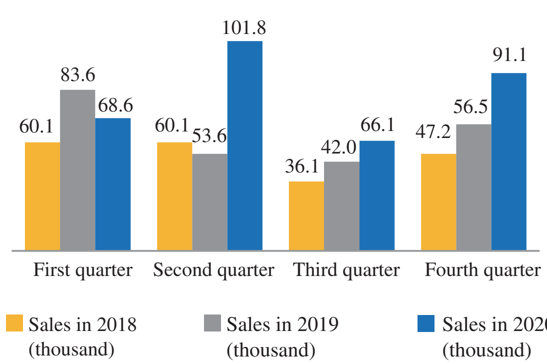
In 2020, the assets in relation to the Vehicle Leasing business of the Group amounted to RMB6,521.5 million, representing an increase of RMB2,207.9 million, or 51.2% as compared with that as of December 31, 2019.

In 2021, the Group will continue to strengthen the analysis and judgment of the automobile industry policy, continuously enrich the product system, optimize the business model, continuously strengthen the informatization construction, and take the digital development model as the infrastructure and monitoring means to promote the Group's Vehicle Leasing business to a new stage of development.

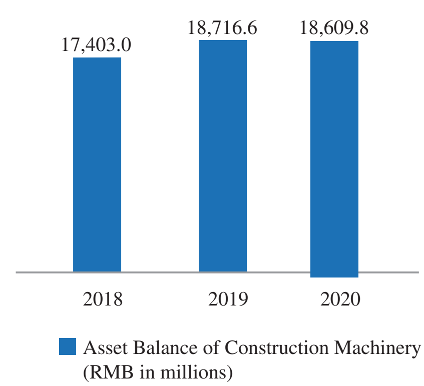
3.4.2 Construction Machinery Leasing

From January to February 2020, the construction machinery industry was impacted by the COVID-19 epidemic, and the whole industry faced great downward pressure. Since March 2020, with the gradual resumption of work and production of the downstream existing projects in the industry, the implementation of counter-cyclical adjustment policies such as "new infrastructure, new urbanization initiatives and major projects" construction supported by the state, and the increasing financing support of financial institutions for small, medium and micro enterprises, the growth rate of production and sales of construction machinery has obviously increased. According to the data of the Construction Machinery Industry Association, the sales volume of the main products of construction machinery, such as excavation machinery, hoisting machinery and concrete machinery, three major categories recorded a year-on-year growth in 2020, of which excavation machinery recorded a year-on-year growth of 39%, reaching a new high record. Although the recovery cycle of hoisting machinery and concrete machinery was delayed compared with that of excavation machinery, under the background of stable development of industry fundamentals, they still maintained a growth trend. On the whole, the construction machinery industry will continue to develop steadily in 2021 with the continuous recovery of domestic infrastructure investment, the stabilization and recovery of medium and long-term loans, and the continuation of the demand for upgrading enterprises.

Sale Volume in Domestic Excavator Market



Asset Balance of Construction Machinery of the Group



In 2020, the Group continued to implement the "customer-centered" development concept, launched several rounds of market research around the industry's leading manufacturers, continuously enriched product schemes, continuously optimized business structure, and further improved product flexibility to meet customers' multi-dimensional financing needs. At the same time, in response to the policy guidelines of "Inclusive Finance" and "Poverty Alleviation", the Group provided high-quality and affordable inclusive finance services for private enterprises, small and micro enterprises and natural person customers, contributed to targeted poverty alleviation, and effectively explored and practiced to solve the problems of financing difficulties of small and medium-sized enterprises and natural persons in remote areas.

As of December 31, 2020, the asset balance of construction machinery of the Group amounted to RMB18,609.8 million, representing a decrease of RMB106.8 million compared with that of December 31, 2019.

2021 is the first year of the 14th Five-Year Plan. The Group will continue to develop Construction Machinery Leasing business steadily. On the one hand, it will continue to deepen its strategic cooperation with key manufacturers in the construction machinery industry, adhere to the development thinking of specialization, marketization and digitalization, and actively approach the market and continuously improve its financial service capabilities. On the other hand, focusing on the national key regional strategies for Yangtze River Economic Belt, Guangdong-Hong Kong-Macao Greater Bay Area and Yangtze River Delta integration, we constantly enrich the product system, optimize the business model, take the initiative to make changes in steady operation, and make the Construction Machinery Leasing business bigger and stronger.

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

(RMB in millions, except percentages)	**Net carrying amount of sub-segment's assets related to leasing business as of December 31, 2020**	**Percentage of net carrying amount of sub-segment's assets related to leasing business as of December 31, 2020**
Vehicle Leasing	6,521.5	25.9%
Construction Machinery Leasing	18,609.8	74.1%
Total	**25,131.3**	**100.0%**

3.5 Others

In 2020, while steadily promoting the launch of key business areas, the Group strengthened research and analysis on regions, industries and customers, and actively explored new business growth points.

As of December 31, 2020, the total assets of other businesses amounted to RMB11,958.4 million, representing a decrease of RMB3,083.4 million, or 20.5% as compared with that as of the end of last year. The profit before income tax of other businesses in 2020 amounted to RMB1,011.5 million, representing an increase of RMB1,124.2 million as compared with that of last year. Such increase was mainly due to the increase in the disposal of non-performing assets this year, which had achieved good results.

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, 2020, the Group had established business relationships with 128 banks and was granted credit facilities amounting to a total of approximately RMB590.7 billion including unused credit facilities of RMB357.4 billion. In 2020, with the outbreak and the global spread of the COVID-19 epidemic, the domestic and international financial markets were affected by multiple factors, such as the sharp rise of market risk aversion and the loose fiscal and monetary policies implemented by various governments. The macroeconomic and financial environment was complex and changeable, and the financial markets fluctuated violently at one time. Based on the changes of macroeconomic situation, the Group actively grasped the market trend, adjusted the financing strategy in time, increased the scale of overseas foreign currency liquidity reserve, ensured the smooth operation of the Group's financing and fund management during the epidemic period, and further optimized the debt structure and reduced the financing cost.

As for bonds financing, the Group successfully issued USD700 million in tier-2 capital bonds in September 2020, which pioneered the issuance of overseas capital replenishment instruments by Chinese financial leasing companies. In October, it successfully issued USD500 million senior bonds again, and issued 11 private placement bonds in total throughout the year with a total amount of USD668 million. In respect of RMB financing, the Group actively responded to changes in market trends and dynamically adjusted the RMB financing period on the premise of ensuring liquidity security, so as to quickly complete the replacement of existing financing during the interest rate decline cycle, which greatly reduced the comprehensive financing cost of RMB. In terms of USD financing, after the outbreak of the epidemic, under the turbulent market conditions of sharp tightening of USD liquidity and significant widening of credit spreads globally, the Group's total amount of foreign currency financing increased, its financing channels further expanded, and its new financing costs dropped sharply, highlighting the Group's increasingly stable USD financing ability and resilience against risks. As for interest rate 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, which greatly reduced the impact of market exchange rate fluctuations on the Company.

In 2020, the financing sources of the Group mainly included bank borrowings and issuance of bonds. As of December 31, 2020, the Group's borrowings and bonds payable were RMB210,382.0 million and RMB46,221.7 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 reputational risk, etc. The Group carries out risk management with the strategic objectives as supporting for sustainable development of the business and enhancing the Group's value, 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 CDB, 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 management of the risks. 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 management of risk during the review and assessment of lease projects; the Legal Compliance Department is responsible for the management of the legal risk, compliance risk, operational risk, money laundry and sanctions compliance risk, related party transaction and internal control; 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.

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 value of risk management can be achieved.

In 2020, the Group continuously optimized risk preference and risk strategy management, and formulated differentiated risk preference and management strategies for different types of risks and business segments, so as to enhance the refined management level. We organized risk identification and assessment to perfect the weak links of risk management, and improved the management system of stress testing to strengthen the effectiveness of stress testing. We continuously improved the overall risk management reporting system, and revealed the risk situation in a timely, in-depth and objective manner. We actively responded to the epidemic, strengthened business continuity monitoring, and continuously improved the business continuity management systems. We positively guided 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 suffered by the Group due to the failure of fulfillment 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, profitability and risks", strictly complies with regulatory requirements and policy requirements imposed, and conducts lease business in compliance with laws and regulations. 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. 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, monitoring and control of risk-bearing projects, to improve forward-looking ability and capabilities of risk management and control, safeguard the bottom line against risks, and keep the ratio of non-performing assets below 1%.

In 2020, affected by the COVID-19 epidemic, the world economy and financial system suffered the biggest demand and supply shock since the financial crisis in 2008, and the real economy was seriously affected. Investment, consumption and exports have all been hit hard, and the downward pressure on domestic economic growth was greater. Market risk events occurred frequently, the liquidity risk of enterprises was further revealed, and the situation of credit risk prevention and control was grim. Facing the complicated and changeable internal and external environment, the Group actively carried out risk investigation, conducted risk analysis and screening according to the project location and the customer's industry, comprehensively investigated the potential risks, pre-researched and pre-judged the risk impact in combination with the internal and external situation, and strengthened the risk investigation and analysis of all major business lines of the Group. The Group favorably responded to the policy and actively studied epidemic risk response strategies to help customers tide over the difficulties. Especially for small, medium and micro customers, relevant policies to strengthen leasing support for inclusive finance business were introduced, which provided support for small and micro enterprises directly affected by the epidemic to tide over the difficulties of the epidemic.

In 2020, the aircraft leasing business was greatly affected by the epidemic. The Group strengthened the risk management and control of aircraft leasing business, conducted stress tests, and formulated the work scheme for aircraft leasing business to deal with the epidemic situation, thus smoothing the impact of the epidemic situation. In view of related businesses of HNA Group, in order to effectively mitigate risks, the Group's headquarter and the aviation subsidiary respectively set up working groups on risk mitigation of HNA Project, established a discussion mechanism for special meetings of HNA Project, and comprehensively promoted the risk handling of HNA Group.

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

	As of December 31,	
(RMB in millions)	**2020**	2019
Financial assets		
Cash and Bank Balances	**34,993.0**	21,528.3
Derivative financial assets	**328.3**	32.4
Accounts receivable	**1,960.7**	2,168.5
Finance lease receivables	**166,040.6**	141,498.1
Financial assets at fair value through other comprehensive income	**955.1**	–
Other financial assets	**401.3**	186.7
Total	**204,679.0**	165,414.0

5.1.1 Asset Quality

The Group's asset quality 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. The Group evaluates asset risk extent and adjusts asset quality categories quarterly, and adopts measures to mitigate risks for the projects with overdue rent and material risks in a timely manner. 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:

	As of December 31,	
(RMB in millions, except percentages)	**2020**	2019
Five-category		
Normal	**279,991.1**	247,290.7
Special mention	**30,544.5**	19,544.3
Substandard	**805.4**	461.3
Doubtful	**1,076.2**	344.7
Loss	**612.3**	1,593.9
Total assets before allowance for impairment losses	**313,029.5**	269,234.9
Non-performing assets(1)	**2,493.9**	2,399.9
Non-performing asset ratio(2)	**0.80%**	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 asset portfolio by the five category asset quality classification as of the dates indicated:

(RMB in millions, except percentages)	**As of December 31, 2020**	2019
Five-category		
Normal	**161,213.3**	139,357.8
Special mention	**9,718.2**	7,646.4
Substandard	**7.4**	452.0
Doubtful	**336.8**	344.7
Loss	**585.8**	1,568.3
Finance lease related assets before allowance for impairment losses	**171,861.5**	149,369.2
Non-performing finance lease related assets[1]	**930.0**	2,365.0
Non-performing asset ratio of finance lease business[2]	**0.54%**	1.58%

(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, 2020, the non-performing assets of the Group were RM2,493.9 million, representing an increase of RMB94.0 million as compared with that as of the end of last year, while the non-performing asset ratio was 0.80%, representing a decrease of 0.09 percentage point as compared with that of last year. As of December 31, 2020, the non-performing finance lease related assets of the Group were RMB930.0 million, representing a decrease of RMB1,435.0 million as compared with that as of the end of last year, while the non-performing asset ratio of finance lease business was 0.54%, representing a decrease of 1.04 percentage points 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 strictly follow the principles of industry selection and customer access; 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 strictly manage and control the credit risk.

The following table sets forth the distribution of the Group's finance lease related asset portfolio by four business segments and other business and the five-category asset quality classification as of December 31, 2020:

(RMB in millions, except percentages)	Aircraft leasing	Infrastructure leasing	Ship leasing	Inclusive finance	Others	Total
Five-category						
Normal	41.2	122,907.9	12,227.1	16,716.8	9,320.3	161,213.3
Special mention	–	3,265.2	533.4	5,919.6	–	9,718.2
Substandard	–	7.4	–	–	–	7.4
Doubtful	–	–	–	–	336.8	336.8
Loss	–	127.6	–	334.8	123.4	585.8
Finance lease related assets before allowance for impairment losses	41.2	126,308.1	12,760.5	22,971.2	9,780.5	171,861.5
Non-performing finance lease related assets	–	135.0	–	334.8	460.2	930.0
Non-performing asset ratio of finance lease business	–	0.11%	–	1.46%	4.71%	0.54%

In 2020, the asset quality of the Group's existing aircraft finance lease projects were of normal category. The amount of non-performing assets and the ratio of non-performing assets of the finance lease business in the infrastructure leasing segment and the inclusive finance segment have dropped compared with that of 2019. Non-performing assets of ship leasing segment were cleared. The Group's risk management and control capability has been improved, and its risk resolution capability has been enhanced.

On the basis of Expected Credit Loss (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, 2019：

(RMB in millions)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Carrying amount of finance lease related assets	128,294.6	18,554.5	2,520.1	149,369.2
Allowance for impairment losses of finance lease related assets	1,303.4	2,673.2	2,399.6	6,376.2

The followings are carrying amount and balances of allowance for impairment losses of finance lease related assets by the Group as at December 31, 2020:

(RMB in millions)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Carrying amount of finance lease related assets	149,536.3	21,240.8	1,084.4	171,861.5
Allowance for impairment losses of finance lease related assets	1,790.0	3,074.9	956.0	5,820.9

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

	As of December 31,	
(RMB in millions)	**2020**	2019
Neither overdue nor impaired	**170,661.7**	145,574.9
Overdue but not impaired	**–**	–
Impaired	**1,199.8**	1,578.7
	171,861.5	147,153.6
Less: allowance for impairment losses	**(5,820.9)**	(5,655.5)
Total	**166,040.6**	141,498.1

5.1.2 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, 2020, the balance of finance lease transactions for the largest single client of the Group accounted for 18.72% of the net capital while the balance of finance lease transactions for the largest single group client accounted for 16.62% 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,** **2020**	2019
Degree of concentration of single client financing(1)	**18.72%**	23.43%
Degree of concentration of single group client financing(2)	**16.62%**	25.79%

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

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

As of December 31, 2020, in terms of finance lease related assets before allowance for impairment losses, the total financing raised by the top ten single clients amounted to RMB31,708 million, accounting for 18.45% 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, 2020:

(RMB in millions, except percentages)	**Business segment**	**Financing amount**	**Percentage of finance lease related assets before allowance for impairment losses**
Client A	Infrastructure	6,656.3	3.87%
Client B	Ship	3,666.2	2.13%
Client C	Infrastructure	3,535.6	2.06%
Client D	Petrochemical engineering	3,233.0	1.88%
Client E	Finance lease	3,046.2	1.77%
Client F	Infrastructure	3,024.9	1.76%
Client G	Ship	2,478.7	1.44%
Client H	Manufacturing industry	2,155.9	1.26%
Client I	Infrastructure	2,018.7	1.18%
Client J	Railway	1,892.5	1.10%
Total		31,708.0	18.45%

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:

(RMB in millions, except percentages)	**As of December 31,**			
	2020		2019	
	Amount	**Percentage**	Amount	Percentage
Aircraft leasing	**41.2**	**0.0%**	320.1	0.2%
Infrastructure leasing	**126,308.1**	**73.5%**	96,948.9	65.9%
Transportation infrastructure	**40,588.9**	**23.6%**	33,798.5	23.0%
Urban infrastructure	**64,165.7**	**37.4%**	48,146.4	32.7%
Energy infrastructure	**21,553.5**	**12.5%**	15,004.0	10.2%
Ship leasing	**12,760.5**	**7.4%**	13,345.9	9.1%
Inclusive finance	**22,971.2**	**13.4%**	22,314.2	15.2%
Vehicle	**6,112.8**	**3.6%**	4,266.5	2.9%
Construction machinery	**16,858.4**	**9.8%**	18,047.7	12.3%
Others	**9,780.5**	**5.7%**	14,224.5	9.7%
Commercial property	**299.9**	**0.2%**	766.3	0.5%
Other sectors	**9,480.6**	**5.5%**	13,458.2	9.2%
Total	**171,861.5**	**100.0%**	147,153.6	100.0%

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 due to fluctuation of the liability interest rate by using hedging strategies, so as to effectively match the future fixed rental income and stabilize the interest rate margins while mitigating the impact of fluctuation in interest rates of US dollars on the operating results of the Group.

The majority of rental income from RMB-denominated leasing business of the Group floats with the LPR or the benchmark interest rate published by the PBOC, while liabilities mainly bear a fixed interest rate. For this particular situation, the Group proactively matches the duration of RMB-denominated assets with that of RMB-denominated liabilities 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 SPVs, 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 denominated 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 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, 2020, the Group's foreign exchange risk exposure in US dollar-denominated against Renminbi-denominated that affected profit or loss amounted to US$685.3 million, and the ending balance of notional amount for hedging transactions amounted to US$495.0 million. The Group effectively managed the foreign exchange risk through exposure monitoring and financial derivative hedging and other means, and recorded a comprehensive exchange loss of RMB162.0 million throughout the year, a decrease of RMB254.0 million in exchange loss compared to the amount before hedging.

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 such as bank deposits and the money market bonds, 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, 2020, the Group had an interbank borrowing and lending limit of RMB12,642.0 million. In addition, the Group strived to improve its trading capacity in the money market, especially the online financing capacity, and accumulated interbank borrowing (including bond collateral repo) amounted to RMB138,339.0 million. Meanwhile, the Group maintained a bank-committed overdraft line of RMB1,450.0 million and held a certain portion of senior bonds, thus ensuring that its liquidity asset reserve can fully mitigate liquidity risk.

During 2020, 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 2020, the Group further enhanced its control efforts of the operational risk. Firstly, the Group refined the daily management requirements of business continuity, formulated business continuity emergency plans, conducted business continuity drills and evaluations, and improved business continuity management and the ability to deal with major emergencies; secondly, the Group strengthened accountability management, refined the workflow of accountability, improved education and training and accountability, and enhanced employees' sense of responsibility; thirdly, the Group continued to carry out the collection, review, clean-up, integration and warehousing of operational risk events, and no major operational risk events had been found in 2020; fourthly, the Group systematically sorted out the internal control risk points of operation and management activities, took the policy as the criterion, and carried out the inspection of policy implementation, so as to promote rectification and enhance the employees' policy execution.

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 2020, the Group further optimized its management of information technology risk. First, the construction of disaster recovery (Phase I) project in the same city was completed, and the disaster recovery system of "two places and three centers" of the Company was initially constructed, and the official website and mail systems were switched across data centers for the first time, further consolidating the data backup depth of the Company. Secondly, the Group sped up the construction of business information systems. The Group completed the construction goals of several new application systems such as asset securitization, anti-money laundering, and the first phase of second-generation credit reporting during the year, and put them into operation as planned, completed the function optimization and upgrade of several stock systems, such as easy leasing system, fee control and legal affairs. Thirdly, the Group strengthened the construction of information technology policy system. The systematical framework of information technology policy was formulated, which further enhanced the standardization of information technology management. Fourthly, IT business continuity management was continuously strengthened, and the IT business continuity plan and emergency plan for 2020 were formulated, and business continuity drills were conducted to continuously strengthen the IT risk management level.

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. Reputational risk is an important part of corporate governance and comprehensive risk management system.

In 2020, the Group continued to strengthen its reputational risk management, and actively carried out its reputational risk prevention and control and brand image building in key links such as "close monitoring, active judgment, positive guidance and enhanced training". Firstly, the Group conducted regular self-inspection and investigation of reputational risks in accordance with the regulatory and reputational risk management requirements of the Group. Secondly, it carried out 24-hour major media public sentiment monitoring through professional institutions, adjusted the scope of public sentiment monitoring in a targeted and dynamic manner, strengthened early warning, and prevented in advance. Thirdly, it carried out special response deployment for specific nodes, and carried out special monitoring on important public sentiment nodes such as "COVID-19 epidemic", "resumption of work and resumption of production", and other sensitive public sentiments, and formulated response plans. Fourthly, it formulated the Emergency Plan for Sudden Public Sentiment, actively carried out training related to reputational risk management, took the initiative to deal with the Company's reputation events in a timely and rapid manner, and improved the quality and efficiency of responding to sudden public sentiment. In addition, the Group strengthened communication with mainstream media at home and abroad, vigorously promoted the brand image building of the Group, actively voiced and created a good reputation environment. Throughout the year, the reputational risk management level of the Group was steadily improved, which effectively maintained the reputation of the Group and established a good brand image.

6. CAPITAL MANAGEMENT

The Group conducted capital management, which mainly aimed to maintain a reasonable capital adequacy ratio to comply with the requirements of capital regulatory laws and policies; to safeguard the Group's ability to continue as a going concern so as to 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, leveraging ratio and the utilization of regulatory capital are closely monitored by the management of the Group.

In 2020, the Group continued to consolidate the foundation of capital management and actively promoted its transformation towards capital-intensive operation. The first step is to further improve the capital management system and policies, systematically implement the internal assessment procedures of capital adequacy ratio under the core requirements of regulatory requirements and the Company's own characteristics, complete the reports of internal capital adequacy assessment and the capital adequacy management plan for the year, and promote the construction of the second pillar as a whole. The second is to deepen the philosophy of fine capital management, based on capital planning, the capital adequacy management plan and capital rolling monitoring, carry out in-depth overall management of capital replenishment and use, and improve the capital use efficiency and the level of capital return. The third is to strengthen the internal and external capital replenishment capacity and build a long-term policy for capital replenishment. The Group has formed a solid foundation for internal capital replenishment by maintaining steady profit growth and effective management of non-performing assets and provisions. At the same time, it has actively promoted external capital replenishment, continuously strengthened its capital strength and enhanced its ability to serve the real economy. In 2020, all capital indicators met the regulatory requirements with the capital adequacy ratio remaining at a stable and reasonable level, and various management systems and measures being well implemented.

On June 7, 2012, the CBIRC issued the Capital Administrative Measures, which came into effect on January 1, 2013. As of December 31, 2020, the Group's core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio were 9.82%, 9.82% and 12.60%, respectively, which were higher than 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, 2020	2019
Net capital:			
Net core tier-one capital		**27,720.1**	26,298.9
Net tier-one capital		**27,720.1**	26,298.9
Net capital		**35,552.6**	29,252.3
Capital adequacy ratio:			
Core tier-one capital adequacy ratio	≥7.5%[1]	**9.82%**	10.51%
Tier-one capital adequacy ratio	≥8.5%[1]	**9.82%**	10.51%
Capital adequacy ratio	≥10.5%[1]	**12.60%**	11.69%

(1) According to the capital adequacy ratio standard requirements of CBIRC during the transition period (2013-2018), the indicating requirements to be fulfilled before the end of 2018.

7. CAPITAL EXPENDITURES

The capital expenditures of the Group principally comprise expenditures for the purchase of ship and aircraft leasing assets, and property and equipment etc. In 2020, the capital expenditures of the Group amounted to RMB15,733.0 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 Bonds Offering.

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

(RMB in millions)	For the year ended December 31, 2020	2019
Capital Expenditures	**15,733.0**	17,435.7

8. PLEDGE OF ASSETS

For the year ended December 31, 2020, property and equipment for operating lease (net) and finance lease receivables of the Group amounting to RMB19,195.7 million and RMB15,953.6 million respectively, were pledged for financing from banks. The total collateral assets as aforesaid accounted for 11.6% 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, 2020, there was a total of 494 full-time employees providing related services to the Group. The Group has a team of high-quality talents. As of December 31, 2020, approximately 90% of the Group's employees had bachelor'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-channel mechanism to introduce talents, effectively enhancing the vitality of talents. The Group systematically sorted out 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 205 sessions of training, and commenced the development of human resources management system to effectively realize the digitization management of human resources of the Company.

In 2021, the Group will continue to deepen the reform of human resources, 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". The Group will uphold the "people-oriented" concept, deepen the construction of compound, professional and international talent echelon, and build a high-quality and hard-working talent team. The Group will enhance personal value creation by empowering employees, enhance development quality and efficiency by strengthening human management, and promote sustainable, healthy and high-quality development of the Company.

For the years ended December 31, 2020 and December 31, 2019, our staff costs were RMB430.4 million and RMB561.9 million, respectively, which accounted for approximately 2.2% and 3.1%, respectively, in the total revenue and other income 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 2020, facing the severe and complicated situation at home and abroad, especially the severe impact of COVID-19 epidemic, CBIRC guided financial institutions to do a good job in financial services, ensured that the financial order was not chaotic and services were continuously provided during the epidemic period, took effective measures to support the steady recovery of the national economy, continuously promoted the reform of financial institutions' system and mechanism, and issued a sound corporate governance action plan. On the one hand, the Company strictly implemented the decisions and requirements of the regulatory authorities on epidemic prevention and control, comprehensively promoted and improved the corporate governance structure, strengthened responsibility, carefully planned and deployed, and took decisive actions, thus withstanding the severe impact brought by the epidemic, achieving steady progress in business performance and steady improvement in high-quality development. On the other hand, the Company clearly recognized that the increasingly strict regulatory environment was a necessary condition for realizing the high-quality development of financial institutions. The Company will consistently and strictly implement the regulatory requirements, adhere to legal and compliant operations, consolidate the quality and efficiency of rectification of problems pointed out by the regulatory authorities, continuously improve the level of compliance risk control, and give full play to the role of financial services in the development of the real economy, especially the important role of leasing services in the real economy.

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, 2020
Capital adequacy ratio	Above 10.5%	12.60%
Tier-one capital adequacy ratio	Above 8.5%	9.82%
Core tier-one capital adequacy ratio	Above 7.5%	9.82%
Degree of concentration of single client financing	Not more than 30%	18.72%
Degree of concentration of single group client financing	Not more than 50%	16.62%
Ratio of a single related client[1]	Not more than 30%	4.29%
Ratio of all related parties[2]	Not more than 50%	14.78%
Ratio of a single related Shareholder[3]	Not more than 100%	75.19%
Ratio of interbank lending[4]	Not more than 100%	2.52%
Allowance to non-performing finance lease related assets	Above 150%	625.95%
Allowance to total finance lease related assets[5]	Above 2.5%	3.39%
Investment in fixed-income securities[6]	Not more than 20%	2.69%

(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.

12. PROSPECTS

In 2021, with the steady progress of vaccination of COVID-19, the global economy is expected to recover. Developed economies will take the lead in realizing large-scale vaccination and achieving economic recovery, while developing countries are expected to complete large-scale vaccination in 2022. Different vaccination progress among countries will affect the overall recovery performance of the global economy, and the far-reaching impact of the epidemic on the globalization pattern remains to be seen. After the completion of the epidemic prevention and control task, the internal and foreign policies of the new administration of the United States government and the corresponding monetary policy of the Federal Reserve will also become the main factors affecting the global market.

2021 is the centenary of the founding of the Communist Party of China, the beginning year of China's 14th Five-Year Plan, and a year of special importance in the process of China's modernization. Although there are many uncertainties in the changes of the epidemic situation and the external environment, and the foundation for China's economic recovery is still not solid, China has a super-large-scale market advantage, the market activity is still good, the reform and opening-up are constantly advancing, the formulation of new development pattern is accelerating, and the economy will still maintain medium and high-speed growth.

In terms of financial market, in order to cope with the adverse effects caused by the epidemic, it is expected that the major economies in the world will still maintain relatively loose monetary policy, but the tightening of the liquidity margin will be a key factor affecting global financial markets. China will implement its monetary policy in accordance with the principle of stability, flexibility, accuracy, moderation and reasonableness. It will keep the money supply and the growth rate of social financing scale basically in line with the nominal economic growth rate, and maintain the macro leverage ratio basically stable.

In 2021, with the comprehensive promotion of the "Fourteenth Five-Year Plan", China will focus on the security and stability of the industrial chain and supply chain, speed up the construction of a strong domestic market, and do a good job in achieving peak carbon emissions and carbon neutrality. The Group will pay close attention to relevant policy trends, base itself on the origin of leasing business, and combine its first-mover advantages in aviation, shipping, inclusive finance, infrastructure (including new energy power stations) and other professional segments to achieve its business operation objectives while serving the country's major strategic objectives. The Group will continuously improve its professional development capability, further improve its research and analysis system, enhance its situational awareness of market competition and innovate its business development model; deepen the "customer-centered" business development model, optimize the process system, and further improve service efficiency; strengthen the information platform construction and digital-empowered leasing business, comprehensively improve the Company's business response efficiency, fully tap the value of big data, and accelerate the digital development. In 2021, there are still many uncertainties affecting the Group's development domestically and abroad. We will continue to strengthen the risk and compliance management system, pay close attention to risk changes, strengthen market analysis and judgment, and strive to achieve a good start in the "Fourteenth Five-Year Plan".

OTHER INFORMATION

Corporate Governance Practice

The Company is committed to maintaining high standards of corporate governance in order to safeguard the interests of Shareholders and enhance corporate value and accountability of the Company. The Company has adopted the Corporate Governance Code as its own code of corporate governance. During the Reporting Period, the Company has been complying with all applicable code provisions set out in the Corporate Governance Code. The Company will continue to review and monitor its corporate governance practices to ensure 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, 2020.

Final Dividend

The Board recommended to distribute a final dividend of RMB0.7756 (tax inclusive) per 10 ordinary Shares for the year ended December 31, 2020, with the total amount of profit distribution amounting to RMB980,542,993. The final dividend is subject to the approval of the Shareholders at the 2020 annual general meeting of the Company and is expected to be paid to the Shareholders within two months after the date of the annual general meeting. Notice of the annual general meeting will announce the date of the annual general meeting of the Company and relevant details of its book closure, as well as the payment date and the arrangement of book closure for the final dividend.

Purchase, Sale or Redemption of Listed Securities

During the year ended December 31, 2020, 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, 2020 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, 2020. The figures in respect of the Group's results for the year ended December 31, 2020 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, 2020.

Publication of Annual Report

The annual report of the Company for the year ended December 31, 2020 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 2020
(Amounts in thousands of RMB, unless otherwise stated)

	Year ended 31 December	
	2020	2019
Revenue		
Finance lease income	**9,199,844**	8,287,442
Operating lease income	**8,520,051**	8,236,710
Total revenue	**17,719,895**	16,524,152
Net investment gains	**41,189**	220,355
Other income, gains or losses	**1,567,632**	1,598,730
Total revenue and other income	**19,328,716**	18,343,237
Depreciation and amortisation	**(4,133,564)**	(3,738,448)
Staff costs	**(430,448)**	(561,884)
Fee and commission expenses	**(80,658)**	(53,912)
Interest expense	**(6,980,798)**	(7,167,284)
Other operating expenses	**(838,048)**	(791,761)
Net impairment losses on financial assets	**(707,674)**	(1,086,571)
Net impairment losses on other assets	**(1,573,949)**	(950,616)
Total expenses	**(14,745,139)**	(14,350,476)
Profit before tax	**4,583,577**	3,992,761
Income tax expense	**(1,315,256)**	(1,054,636)
Profit for the year attributable to owners of the Company	**3,268,321**	2,938,125
Earnings per share attributable to owners of the Company		
(expressed in RMB Yuan per share)		
– Basic	**0.26**	0.23
– Diluted	**0.26**	0.23

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020
(Amounts in thousands of RMB, unless otherwise stated)

	Year ended 31 December	
	2020	2019
Profit for the year	**3,268,321**	2,938,125
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Gains/(losses) on financial assets at fair value through other comprehensive income, net of tax	**(3,879)**	(13,476)
Gains/(losses) on cash flow hedges, net of tax	**(500,012)**	(450,820)
Currency translation differences	**(482,217)**	120,463
Total other comprehensive income for the year, net of tax	**(986,108)**	(343,833)
Total comprehensive income for the year attributable to owners of the Company	**2,282,213**	2,594,292

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020
(Amounts in thousands of RMB, unless otherwise stated)

	As at 31 December	
	2020	2019
Assets		
Cash and bank balances	**34,992,986**	21,528,292
Financial assets at fair value through profit or loss (FVTPL)	**216,862**	148,774
Derivative financial assets	**328,291**	32,425
Assets held-for-sale	**–**	1,585,803
Financial assets at fair value through other comprehensive income (FVOCI)	**955,060**	–
Accounts receivable	**1,960,650**	2,168,454
Finance lease receivables	**166,040,552**	141,498,088
Prepayments	**15,829,764**	14,820,598
Investment properties	**1,040,023**	990,374
Property and equipment	**77,088,767**	73,260,791
Right-of-use assets	**181,149**	604,509
Deferred tax assets	**1,330,842**	1,428,924
Other assets	**3,364,721**	3,233,636
Total assets	**303,329,667**	261,300,668
Liabilities		
Borrowings	**210,382,017**	174,135,636
Due to banks and other financial institutions	**895,747**	–
Derivative financial liabilities	**1,416,207**	789,218
Accrued staff costs	**155,694**	303,967
Bonds payable	**46,221,709**	42,811,268
Tax payable	**342,021**	576,568
Lease liabilities	**196,490**	626,523
Deferred tax liabilities	**757,764**	827,334
Other liabilities	**16,332,703**	15,560,912
Total liabilities	**276,700,352**	235,631,426

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2020
(Amounts in thousands of RMB, unless otherwise stated)

	As at 31 December	
	2020	2019
Equity		
Share capital	**12,642,380**	12,642,380
Capital reserve	**2,418,689**	2,418,689
Hedging and fair value reserve	**(1,145,885)**	(641,994)
Translation reserve	**(188,569)**	293,648
General reserves	**5,474,730**	4,544,432
Retained earnings	**7,427,970**	6,412,087
Total equity	**26,629,315**	25,669,242
Total liabilities and equity	**303,329,667**	261,300,668

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020
(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 2020	**12,642,380**	**2,418,689**	**(641,994)**	**293,648**	**4,544,432**	**6,412,087**	**25,669,242**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**3,268,321**	**3,268,321**
Other comprehensive income for the year	**–**	**–**	**(503,891)**	**(482,217)**	**–**	**–**	**(986,108)**
Total comprehensive income for the year	**–**	**–**	**(503,891)**	**(482,217)**	**–**	**3,268,321**	**2,282,213**
Dividends paid	**–**	**–**	**–**	**–**	**–**	**(1,322,140)**	**(1,322,140)**
Appropriation to general reserves	**–**	**–**	**–**	**–**	**930,298**	**(930,298)**	**–**
As at 31 December 2020	**12,642,380**	**2,418,689**	**(1,145,885)**	**(188,569)**	**5,474,730**	**7,427,970**	**26,629,315**
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	12,642,380	2,418,689	(641,994)	293,648	4,544,432	6,412,087	25,669,242

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020
(Amounts in thousands of RMB, unless otherwise stated)

	Year ended 31 December	
	2020	2019
OPERATING ACTIVITIES		
Profit before tax	**4,583,577**	3,992,761
Adjustments for:		
Bonds payable interest expense	**1,551,409**	1,665,514
Lease liabilities interest expense	**26,453**	19,327
Depreciation and amortisation	**4,133,564**	3,738,448
Net impairment losses on financial assets	**707,674**	1,086,571
Net impairment losses on other assets	**1,573,949**	950,616
Amortisation income of lease discount liabilities	**(36,649)**	(67,245)
Gains on disposal of equipment held for operating lease businesses	**(689,472)**	(533,089)
Losses on disposal of property and equipment held for administrative purposes	**21**	154
Gains on disposal of finance lease receivables	**(123,822)**	(175,938)
Gains on disposal of subsidiaries	**–**	(19,747)
Realised losses from derivatives	**9,646**	241
Realised losses/(gains) from FVTPL	**21,037**	(282,643)
Realised gains from FVOCI	**(16,311)**	(1,488)
Unrealised fair value changes in derivatives	**14,870**	17,138
Unrealised fair value changes in FVTPL	**53,391**	242,082
Foreign exchange gains from derivatives	**(253,904)**	–
Operating cash flows before movements in working capital	**11,555,433**	10,632,702
(Increase)/decrease in mandatory reserve deposits with central bank	**(33,292)**	17,847
(Increase)/decrease in accounts receivable	**(90,251)**	3,145,455
Increase in finance lease receivables	**(26,100,552)**	(17,356,426)
Decrease/(increase) in other assets	**5,071,445**	(735,729)
Increase in borrowings	**37,462,534**	16,080,025
Increase in due to banks and other financial institutions	**895,747**	–
Decrease in financial assets sold under repurchase agreements	**–**	(880,000)
(Decrease)/increase in accrued staff costs	**(148,273)**	54,112
Increase/(decrease) in other liabilities	**655,910**	(59,980)
Cash inflow from operating activities	**29,268,701**	10,898,006
Income taxes paid	**(1,461,922)**	(995,314)
NET CASH INFLOW FROM OPERATING ACTIVITIES	**27,806,779**	9,902,692

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
For the year ended 31 December 2020
(Amounts in thousands of RMB, unless otherwise stated)

	Year ended 31 December	
	2020	2019
INVESTING ACTIVITIES		
Change in pledged and restricted bank deposits	**1,267,257**	3,522,024
Purchase of FVTPL	**(1,839,486)**	–
Purchase of FVOCI	**(960,233)**	–
Proceeds from disposal/maturity of FVTPL	**1,808,803**	1,782,402
Proceeds from disposal/maturity of FVOCI and others	**121,463**	701,425
Proceeds from disposal of property and equipment	**3,525,160**	4,204,247
Purchase of property and equipment	**(16,930,552)**	(20,365,075)
Proceeds from disposal of subsidiaries	**–**	17,928
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	**(13,007,588)**	(10,137,049)
FINANCING ACTIVITIES		
Proceeds from issue of bonds payable	**13,186,511**	8,977,833
Repayments of bonds payable	**(8,864,073)**	(5,007,581)
Bonds issuance cost	**(78,785)**	(21,958)
Bonds interest paid	**(1,689,262)**	(1,645,278)
Dividends paid	**(1,238,934)**	(1,128,080)
Decrease in lease liabilities	**(90,341)**	(94,275)
NET CASH INFLOW FROM FINANCING ACTIVITIES	**1,225,116**	1,080,661
NET INCREASE IN CASH AND CASH EQUIVALENTS	**16,024,307**	846,304
Effects of foreign exchange changes	**(1,325,648)**	224,013
Cash and cash equivalents at beginning of the year	**19,445,527**	18,375,210
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**34,144,186**	19,445,527
NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:		
Interest received	**9,471,909**	8,760,567
Interest paid, exclusive bonds payable interest expenses	**(5,464,650)**	(5,666,214)
Net interest received	**4,007,259**	3,094,353

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 ACCOUTNING 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 Group has adopted the *Conceptual Framework for Financial Reporting 2018* and following revised International Financial Reporting Standards ("IFRSs") for the first time for the current year's financial statements.

Amendments to IFRS 3	*Definition of a Business*
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*
Amendment to IFRS 16	*COVID-19-Related Rent Concessions (early adopted)*
Amendments to IAS 1 and IAS 8	*Definition of Material*

The nature and impact of the *Conceptual Framework for Financial Reporting 2018* and the revised IFRSs are described below:

Conceptual Framework for Financial Reporting 2018

Conceptual Framework for Financial Reporting 2018 (the "Conceptual Framework") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

Amendments to IFRS 3: Definition of a Business

Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments had no material impact on the financial position and performance of the Group.

Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform

Amendments to IFRS 9, IAS 39 and IFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("RFR"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

The Group has applied the temporary reliefs to continue its existing interest rate hedging relationships. Information of the hedging relationships to which the Group applies the temporary reliefs is disclosed in note 12 to the financial statements.

Amendment to IFRS 16: COVID-19-Related Rent Concessions (early adopted)

Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively.

This amendment had no impact on the consolidated financial statements of the Group as the Group did not receive any rent concession directly related to COVID-19 pandemic.

Amendments to IAS 1 and IAS 8: Definition of Material

Amendments to IAS 1 and IAS 8 provide a new definition of material. 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. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

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
Amendments to IFRS 3	*Reference to the Conceptual Framework*	1 January 2022
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform-Phase 2*	1 January 2021
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*	1 January 2022
Annual Improvements to IFRSs 2018-2020	*Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41*	1 January 2022

Amendments to IFRS 3

Amendments to IFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements with a reference to the Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 *Levies*, if incurred separately. Furthermore, the amendments clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements. The Group expects to adopt the amendments prospectively from 1 January 2022.

Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative RFR. The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information.

The Group had certain interest-bearing bank borrowings and bonds payable denominated in Hong Kong dollars and United States dollars based on the London Interbank Offered Rate ("LIBOR") as at 31 December 2020. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings when the "economically equivalent" criterion is met and expects that no significant modification gain or loss will arise as a result of applying the amendments to these changes.

The Group currently has applied a cash flow hedge to manage the cash flow interest rate risk of bank borrowings and bonds payable, denominated in Hong Kong dollars and United States dollars based on LIBOR, by using an interest rate swap. The Group will amend the formal designation of that hedging relationship upon modification of the interest rate swap and the bank borrowings and bonds payable.

Amendments to IAS 16

Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to IFRSs 2018-2020

Annual Improvements to IFRSs 2018-2020 sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- IFRS 9 *Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- IFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

2.3 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.

2.4 Property and equipment

Property and equipment include buildings, computers 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 estimates 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	15%	7 – 25 years
Aircraft - Buyer furnish equipment (BFE)	0%	The life of the lease
Ships	10%	20 years
Special equipment	5%	10 years

2.5 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.

2.5.1 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 are 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.

2.5.2 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.

2.5.3 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.

2.5.4 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.

General approach

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 evaluates 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.

Simplified approach

For account receivables and other financial assets, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

2.5.5 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.

2.5.6 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.

2.5.7 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.

2.6 Derivatives financial instruments and hedge accounting

2.6.1 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:

2.6.2 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	
	2020	2019
Finance lease income [1]	**9,199,844**	8,287,442
Operating lease income	**8,520,051**	8,236,710
	17,719,895	16,524,152

(1) The Group recognised finance lease income of approximately RMB57,103,000 and RMB29,659,000 from non-performing finance lease receivables for the years of 2020 and 2019, respectively.

4 NET INVESTMENT GAINS

	Year ended 31 December	
	2020	2019
Realised gains from financial assets at fair value through other comprehensive income	**16,311**	1,488
Realised gains/(losses) from financial assets at fair value through profit or loss	**(21,037)**	282,643
Realised gains from disposal of finance lease receivables	**123,822**	175,938
Realised losses from derivatives	**(9,646)**	(241)
Realised gains from disposal of subsidiaries	**–**	19,747
Unrealised fair value change of derivatives	**(14,870)**	(17,138)
Unrealised fair value change of financial assets at fair value through profit or loss	**(53,391)**	(242,082)
	41,189	220,355

5 OTHER INCOME, GAINS OR LOSSES

	Year ended 31 December	
	2020	2019
Interest income from deposits with financial institutions	**275,730**	473,125
Gains on disposal of assets held for operating lease businesses, net	**689,472**	533,089
Government grants and incentives [(1)]	**326,120**	339,606
Management and commission fee income	**317,852**	194,311
Foreign exchange gains, net	**(161,959)**	38,606
Others	**120,417**	19,993
	1,567,632	1,598,730

(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 2020 and 2019, 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	
	2020	2019
Borrowings	**5,502,449**	5,860,110
Bonds payable	**1,551,409**	1,665,514
Due to banks and other financial institutions	**5,338**	47,859
Financial assets sold under repurchase agreements	**7,618**	20,056
Deposits from lessees	**2,115**	1,610
Others	**65,147**	29,536
Less: Interest capitalised on qualifying assets [(1)]	**(153,278)**	(457,401)
	6,980,798	7,167,284

(1) Interest capitalised on qualifying assets in 2020, included RMB153,278,000 (2019: RMB457,401,000) on prepayment.

7 NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	Year ended 31 December	
	2020	2019
Finance lease receivables	**410,790**	992,333
Accounts receivable	**231,601**	91,743
Others	**65,283**	2,495
	707,674	1,086,571

8 NET IMPAIRMENT LOSSES ON OTHER ASSETS

	Year ended 31 December	
	2020	2019
Equipment held for operating lease businesses	**1,539,586**	902,893
Investment properties	**20,270**	47,723
Assets held-for-sale	**7,182**	–
Prepayments	**6,911**	–
	1,573,949	950,616

9 INCOME TAX EXPENSE

	Year ended 31 December	
	2020	2019
Current income tax		
– PRC enterprise income tax	**1,215,269**	1,117,523
– Income tax in other countries	**10**	221
Deferred income tax	**101,545**	(76,674)
Under/(over) provision in prior year	**(1,568)**	13,566
	1,315,256	1,054,636

The applicable enterprise income tax rates are 25% for the Company and all of 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.

9 INCOME TAX EXPENSE (CONTINUED)

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	
	2020	2019
Profit before tax	**4,583,577**	3,992,761
Tax at the statutory tax rate of 25%	**1,145,894**	998,190
Tax effect of expenses not deductible for tax purpose	**23,207**	26,363
Under/(over) provision in prior year	**(1,568)**	13,566
Tax losses not recognised	**37,037**	38,126
Deductible temporary difference not recognised	**93,320**	29,332
Effect of different tax rates of group entities operating in jurisdictions other than the PRC	**17,366**	(37,232)
Others	**–**	(13,709)
Income tax expense for the year	**1,315,256**	1,054,636

10 EARNINGS PER SHARE

The calculation of basic earnings per share is as follows:

	Year ended 31 December	
	2020	2019
Earnings:		
Profit attributable to owners of the Company *(RMB'000)*	**3,268,321**	2,938,125
Number of shares:		
Weighted average number of shares in issue *('000)*	**12,642,380**	12,642,380
Basic earnings per share *(RMB Yuan)*	**0.26**	0.23

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 2020 and 2019, 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 2020 and 2019, respectively.

11 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

	31 December 2020	31 December 2019
Measured at fair value:		
Equity investment, listed	**9,214**	–
Equity investment, unlisted	**207,648**	148,774
	216,862	148,774

12 DERIVATIVE FINANCIAL INSTRUMENTS

The contractual/nominal amount and the fair value of the derivative financial instruments are set out below:

	31 December 2020		
		Fair value	
	Contractual/ Notional amount	**Assets**	**Liabilities**
Derivatives under hedge accounting:			
Cash flow hedge – interest rate swaps	**29,506,004**	**–**	**(1,351,629)**
Cash flow hedge – cross currency swaps	**6,666,293**	**44,572**	**(2)**
Derivatives not under hedge accounting:			
Currency forwards	**4,208,561**	**283,719**	**(35,904)**
Interest rate swaps	**495,555**	**–**	**(28,672)**
	40,876,413	**328,291**	**(1,416,207)**

	31 December 2019		
		Fair value	
	Contractual/ Notional amount	Assets	Liabilities
Derivatives under hedge accounting:			
Cash flow hedge – interest rate swaps	25,976,893	32,425	(708,224)
Cash flow hedge – cross currency swaps	4,424,738	–	(51,280)
Derivatives not under hedge accounting:			
Currency forwards	1,276,218	–	(14,069)
Interest rate swaps	590,846	–	(15,645)
	32,268,695	32,425	(789,218)

The fair values of interest rate swaps, cross currency swaps and currency forwards as shown above are determined with reference to market-to-market values provided by Bloomberg, Reuters and counterparties.

Hedge accounting has been applied for interest rate swaps and cross currency swaps that are assessed by the Group to be highly effective hedges.

12 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

The Group determines the economic relationship between the hedging instruments and the hedged items by matching the critical terms of interest rate swap and cross currency swap contracts with the terms of borrowing and bond payable contracts (i.e. notional amount, expected payment date and interest rate). The hedge ratio (the ratio between the notional amount of the derivatives to the par value of the borrowings and bonds payable being hedged) is determined to be 1:1. There were no expected sources of ineffectiveness on the Group's hedges as the critical terms of the derivatives match exactly with the terms of the hedged items.

			Hedge rates		
	Outstanding notional amounts	**Assets/ (Liabilities)**	**USD interest rates (p.a.)**	**Foreign currency rates**	**Maturity (Year)**
31 December 2020					
Cash flow hedge					
Interest rate swaps [1]					
USD	**29,506,004**	**(1,351,629)**	**1.005% to 3.203%**	**–**	**2021 to 2028**
Cross currency swaps [2]					
HKD-USD	**5,971,442**	**28,801**	**1.210% to 3.9625%**	**USD1: HKD7.750 to USD1: HKD7.8483**	**2021 to 2022**
CNY-USD	**694,851**	**15,769**	**2.935% to 3.645%**	**USD1: CNY6.691 to USD1: CNY6.7282**	**2021 to 2022**

			Hedge rates		
	Outstanding notional amounts	Assets/ (Liabilities)	USD interest rates (p.a.)	Foreign currency rates	Maturity (Year)
31 December 2019					
Cash flow hedge					
Interest rate swaps [1]					
USD	25,976,893	(675,799)	1.2278% to 3.203%	–	2020 to 2028
Cross currency swaps [2]					
HKD-USD	3,681,827	(16,598)	3.475% to 3.9625%	USD1:HKD7.8282 to USD1:HKD7.8483	2020 to 2022
CNY-USD	742,911	(34,682)	2.935% to 3.645%	USD1:CNY6.691 to USD1:CNY6.7282	2021 to 2022

(1) The Group uses these interest rate swaps to hedge against the exposure to variability in cash flows from related borrowings and bonds payable which are pegged to USD Libor. Under these interest rate swaps, the Group receives floating interest pegged to USD Libor and pays fixed interest. These hedges are classified as cash flow hedges and the fair value changes of these interest rate swaps are recognized in hedging reserve.

(2) The Group uses these cross currency swaps to hedge against the exposure to variability in cash flows for the related bonds payable. Under these cross currency swaps, the Group receives non-USD principal with fixed interest, and pays USD principal and fixed interest. These hedges are classified as cash flow hedges and the fair value changes of these cross currency swaps are recognized in hedging reserve.

12 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Interest rate benchmark reform

Following the decision by global regulators to phase out the existing interest rate benchmarks and replace them with RFRs, the Group is evaluating the impact on its existing hedge relationships.

The table below indicates the nominal amount and weighted average maturity of derivatives in hedging relationships that may be affected by the interest rate benchmark reform, analysed by interest rate benchmarks. The derivative hedging instruments provide a close approximation to the extent of the risk exposure that the Group manages through hedging relationships.

31 December 2020

	Nominal amount	**Weighted average maturity (Years)**
Interest rate swap:		
USD LIBOR (1 month)	183,350	2.1
USD LIBOR (3 months)	29,037,516	3.9
USD LIBOR (6 months)	285,138	9.5
	29,506,004	

13 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)

	31 December 2020	31 December 2019
Measured at fair value:		
Bonds investment	**955,060**	–

14 ACCOUNTS RECEIVABLE

	31 December 2020	31 December 2019
Operating lease receivables [(1)]	**2,718,254**	700,070
Advances for finance lease projects [(2)]	**–**	2,215,659
Other accounts receivable	**14,595**	7,478
	2,732,849	2,923,207
Less: Allowances for impairment losses		
– Allowances for operating lease receivables	**(772,199)**	(34,010)
– Allowances for advances for finance lease projects	**–**	(720,743)
	(772,199)	(754,753)
	1,960,650	2,168,454

(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.

(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. As at 31 December 2020, there is none advances for finance lease projects after repayment and written-off.

14 ACCOUNTS RECEIVABLE (CONTINUED)

Movements of accounts receivable between stages for the year of 2020 and 2019 are as follows:

	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
Gross carrying amount					
Amount as at 1 January 2020	**1,500,000**	**–**	**715,659**	**707,548**	**2,923,207**
New assets originated/(repayment)	**(1,500,000)**	**–**	**(543,856)**	**2,187,541**	**143,685**
Written-off	**–**	**–**	**(171,803)**	**–**	**(171,803)**
Effect of foreign currency exchange differences	**–**	**–**	**–**	**(162,240)**	**(162,240)**
Amount as at 31 December 2020	**–**	**–**	**–**	**2,732,849**	**2,732,849**

	Stage 1	Stage 2	Stage 3	Simplified approach	Total
Gross carrying amount					
Amount as at 1 January 2019	4,622,632	–	715,659	729,936	6,068,227
New assets originated/(repayment)	(3,122,632)	–	–	(33,173)	(3,155,805)
Effect of foreign currency exchange differences	–	–	–	10,785	10,785
Amount as at 31 December 2019	1,500,000	–	715,659	707,548	2,923,207

Movements of allowances for impairment losses during the years of 2020 and 2019 are as follows:

	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
Allowance for impairment losses					
Amount as at 1 January 2020	**5,084**	**–**	**715,659**	**34,010**	**754,753**
Net increase/(decrease) [1]	**(5,084)**	**–**	**(543,856)**	**–**	**(548,940)**
Charge/(recovered) for the year [2]	**–**	**–**	**–**	**780,541**	**780,541**
Written-off	**–**	**–**	**(171,803)**	**–**	**(171,803)**
Effect of foreign currency exchange differences	**–**	**–**	**–**	**(42,352)**	**(42,352)**
Amount as at 31 December 2020	**–**	**–**	**–**	**772,199**	**772,199**

	Stage 1	Stage 2	Stage 3	Simplified approach	Total
Allowance for impairment losses					
Amount as at 1 January 2019	15,432	–	643,501	3,642	662,575
Net increase/(decrease) [1]	(10,059)	–	–	–	(10,059)
Charge/(recovered) for the year [2]	(289)	–	72,158	29,933	101,802
Effect of foreign currency exchange differences	–	–	–	435	435
Amount as at 31 December 2019	5,084	–	715,659	34,010	754,753

14 ACCOUNTS RECEIVABLE (CONTINUED)

(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.

15 FINANCE LEASE RECEIVABLES

	31 December 2020	31 December 2019
Finance lease receivables		
Not later than one year	**51,352,631**	42,453,243
Later than one year and not later than five years	**107,822,133**	90,137,547
Later than five years	**46,603,763**	47,570,554
Gross amount of finance lease receivables	**205,778,527**	180,161,344
Less: Unearned finance income	**(33,917,035)**	(33,007,750)
Present value of minimum finance lease receivables	**171,861,492**	147,153,594
Less: Allowances for impairment losses	**(5,820,940)**	(5,655,506)
Carrying amount of finance lease receivables	**166,040,552**	141,498,088
Present value of minimum finance lease receivables		
Not later than one year	**36,763,705**	30,398,418
Later than one year and not later than five years	**89,869,183**	72,681,050
Later than five years	**45,228,604**	44,074,126
	171,861,492	147,153,594

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 RMB15,953,646,000 were pledged as collateral for the Group's bank borrowings as at 31 December 2020 (31 December 2019: RMB3,557,488,000) (Note 17).

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 LIBOR. The interest rates of finance lease receivables were adjusted periodically with reference to the benchmark interest rates.

15 FINANCE LEASE RECEIVABLES (CONTINUED)

Movements between stages for the years of 2020 and 2019 within finance lease receivables are as follows:

	Stage 1	**Stage 2**	**Stage 3**	**Total**
Present value of minimum finance lease receivables				
Amount as at 1 January 2020	**126,794,611**	**18,554,482**	**1,804,501**	**147,153,594**
Movement within stages:				
Move to stage 1	**2,776,902**	**(2,776,902)**	**–**	**–**
Move to stage 2	**(7,536,166)**	**7,536,166**	**–**	**–**
Move to stage 3	**(120,469)**	**(262,028)**	**382,497**	**–**
Net assets originated/(repayment)	**28,448,634**	**(1,790,804)**	**(523,716)**	**26,134,114**
Written-off/transfer out	**–**	**–**	**(573,867)**	**(573,867)**
Effect of foreign currency exchange differences	**(827,265)**	**(20,069)**	**(5,015)**	**(852,349)**
Amount as at 31 December 2020	**149,536,247**	**21,240,845**	**1,084,400**	**171,861,492**

	Stage 1	Stage 2	Stage 3	Total
Present value of minimum finance lease receivables				
Amount 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	–
Net assets originated/(repayment)	20,823,885	(3,613,241)	(54,147)	17,156,497
Written-off/transfer out	–	–	(18,654)	(18,654)
Effect of foreign currency exchange differences	197,499	810	311	198,620
Amount as at 31 December 2019	126,794,611	18,554,482	1,804,501	147,153,594

15 FINANCE LEASE RECEIVABLES (CONTINUED)

Movements of allowances for impairment losses on finance lease receivables during the years of 2020 and 2019 are as follows:

	Stage 1	**Stage 2**	**Stage 3**	**Total**
Allowance for impairment losses				
Amount as at 1 January 2020	**1,298,288**	**2,673,179**	**1,684,039**	**5,655,506**
Movement within stages:				
Move to stage 1	**437,135**	**(437,135)**	**–**	**–**
Move to stage 2	**(95,419)**	**95,419**	**–**	**–**
Move to stage 3	**(11,719)**	**(201,134)**	**212,853**	**–**
Net increase/(decrease) [(1)]	**350,100**	**(328,911)**	**(523,244)**	**(502,055)**
Charge/(recovered) for the year [(2)]	**(166,506)**	**1,278,006**	**(198,655)**	**912,845**
Written-off/transfer out	**–**	**–**	**(217,716)**	**(217,716)**
Effect of foreign currency exchange differences	**(21,882)**	**(4,564)**	**(1,194)**	**(27,640)**
Amount as at 31 December 2020	**1,789,997**	**3,074,860**	**956,083**	**5,820,940**

	Stage 1	Stage 2	Stage 3	Total
Allowance for impairment losses				
Amount 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	–
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/transfer out	–	–	(18,654)	(18,654)
Effect of foreign currency exchange differences	5,782	308	211	6,301
Amount as at 31 December 2019	1,298,288	2,673,179	1,684,039	5,655,506

(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.

16 PROPERTY AND EQUIPMENT

	31 December 2020	31 December 2019
Equipment held for operating lease businesses	**76,299,125**	72,360,693
Property and equipment held for administrative purposes	**789,642**	900,098
	77,088,767	73,260,791

Equipment held for operating lease businesses

	Aircraft	Ships	Special equipment	Total
Cost				
As at 1 January 2020	**75,886,939**	**9,475,663**	**671,727**	**86,034,329**
Additions	**9,526,112**	**6,168,404**	**–**	**15,694,516**
Transferred from finance lease receivables	**100,083**	**–**	**–**	**100,083**
Disposals/written-off	**(2,942,610)**	**–**	**–**	**(2,942,610)**
Foreign currency translation	**(5,266,088)**	**(896,465)**	**–**	**(6,162,553)**
As at 31 December 2020	**77,304,436**	**14,747,602**	**671,727**	**92,723,765**
Accumulated depreciation				
As at 1 January 2020	**(11,692,317)**	**(421,288)**	**(205,508)**	**(12,319,113)**
Charge for the year	**(3,377,686)**	**(504,470)**	**(42,235)**	**(3,924,391)**
Disposals/written-off	**1,685,581**	**–**	**–**	**1,685,581**
Foreign currency translation	**834,223**	**43,218**	**–**	**877,441**
As at 31 December 2020	**(12,550,199)**	**(882,540)**	**(247,743)**	**(13,680,482)**
Accumulated impairment				
As at 1 January 2020	**(911,753)**	**(249,866)**	**(192,904)**	**(1,354,523)**
Charge for the year	**(1,455,220)**	**–**	**(84,366)**	**(1,539,586)**
Foreign currency translation	**140,330**	**9,621**	**–**	**149,951**
As at 31 December 2020	**(2,226,643)**	**(240,245)**	**(277,270)**	**(2,744,158)**
Net carrying amount				
As at 1 January 2020	**63,282,869**	**8,804,509**	**273,315**	**72,360,693**
As at 31 December 2020	**62,527,594**	**13,624,817**	**146,714**	**76,299,125**

16 PROPERTY AND EQUIPMENT (CONTINUED)

Equipment held for operating lease businesses (Continued)

	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	75,886,939	9,475,663	671,727	86,034,329
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	(11,692,317)	(421,288)	(205,508)	(12,319,113)
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	(911,753)	(249,866)	(192,904)	(1,354,523)
Net carrying amount				
As at 1 January 2019	57,388,499	4,209,589	519,604	62,117,692
As at 31 December 2019	63,282,869	8,804,509	273,315	72,360,693

As at 31 December 2020, the aircraft with net book value of approximately RMB18,047,343,000 (31 December 2019: RMB23,522,445,000) and RMB1,148,333,000(31 December 2019: RMB1,294,656,000) of the Group were pledged as collateral for the Group's bank borrowings (Note 17) and long-term payable, respectively.

16 PROPERTY AND EQUIPMENT (CONTINUED)

Property and equipment held for administrative purposes

	Buildings	Computers and electronic equipment	Motor vehicles	Office equipment	Leasehold improvements	Total
Cost						
As at 1 January 2020	886,444	14,937	5,472	133,010	19,697	1,059,560
Additions	1,356	2,941		1,769	1,621	7,687
Disposals/written-off	–	(806)	–	(352)	(5)	(1,163)
Transfer to other assets	(86,570)	–	–	(115,986)	54,540	(148,016)
Foreign currency translation	(360)	–	–	(959)	(3,048)	(4,367)
As at 31 December 2020	800,870	17,072	5,472	17,482	72,805	913,701
Accumulated depreciation						
As at 1 January 2020	(53,505)	(9,096)	(2,333)	(76,658)	(17,870)	(159,462)
Charge for the year	(23,061)	(2,558)	(768)	(4,567)	(3,595)	(34,549)
Disposals/written-off	–	768	–	332	–	1,100
Transfer to other assets	6,400	–	–	69,525	(8,079)	67,846
Foreign currency translation	150	–	–	265	591	1,006
As at 31 December 2020	(70,016)	(10,886)	(3,101)	(11,103)	(28,953)	(124,059)
Net carrying amount						
As at 1 January 2020	832,939	5,841	3,139	56,352	1,827	900,098
As at 31 December 2020	730,854	6,186	2,371	6,379	43,852	789,642

16 PROPERTY AND EQUIPMENT (CONTINUED)

Property and equipment held for administrative purposes (Continued)

	Buildings	Computers 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

As at 31 December 2020, the carrying value of property and equipment of the Group for which registration was not completed amounted to approximately RMB8,530,000(31 December 2019: RMB9,072,000). However, this registration process does not affect the rights of the Group to these assets.

For the year ended 31 December 2020, in accordance with IAS 36 Impairment of Assets, aircraft were tested for indicators of impairment. To aid in this assessment, the Group sought valuations from independent aircraft appraisal firms. These appraisers make assumptions and estimates with respect to the future valuations of aircraft. For the purpose of recognition and measurement of an impairment loss, if it is determined that a test for impairment is required, each aircraft is tested individually by comparing its carrying amount to the higher of its value in use and fair value less costs to sell.

Value in use is determined as the total discounted cash flows expected to be generated by an aircraft in the future. The estimated cash flows are discounted to their present value by using a pre-tax discount rate that reflects current market assumptions of the time value of money and the risks specific to the asset in question. For the calculation of value in use, the weighted average discount rate ("WACC") for 31 December 2020 was 4.80% (2019: 5.00%). Fair value less costs to sell are determined by the Group based on the most relevant of observable market information from independent appraisal firms. In cases where the carrying value of the aircraft exceeded the higher of value in use and fair value less costs to sell, an impairment charge was recognised.

As a result of the review, an impairment charge of RMB1,455 million (2019: RMB462 million) was recognised on 42 aircraft (2019: 14 aircraft).

The Directors of the Company are satisfied that the net book value of property and equipment is not further impaired below the balance recorded at 31 December 2020.

Assuming the WACC increases by 50BP, the aircraft impairment will increase RMB75 million. If the WACC decrease by 50BP, then the aircraft impairment will decrease RMB54 million.

Assuming the fair value increases by 5%, the aircraft impairment will decrease RMB221 million. If the fair value decrease by 5%, then the aircraft impairment will increase RMB223 million.

17 BORROWINGS

	31 December 2020	31 December 2019
Secured bank borrowings [1]	**19,087,160**	17,523,360
Unsecured bank borrowings	**191,294,857**	156,612,276
	210,382,017	174,135,636

	31 December 2020	31 December 2019
Carrying amount repayable:		
Within one year	**177,606,029**	142,105,752
More than one year, but not exceeding two years	**23,609,722**	7,311,165
More than two years, but not exceeding five years	**8,361,171**	22,916,883
More than five years	**805,095**	1,801,836
	210,382,017	174,135,636

(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 2020	31 December 2019
Property and equipment	**18,047,343**	23,522,445
Finance lease receivables	**15,953,646**	3,557,488
	34,000,989	27,079,933

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

	31 December 2020	31 December 2019
Fixed-rate borrowings:		
Within one year	**152,189,299**	124,673,898
More than one year, but not exceeding five years	**1,885,882**	3,262,786
More than five years	**295,939**	601,458
	154,371,120	128,538,142

In addition, the Group has floating-rate borrowings which carry interest based on PBOC Rates, LPR, LIBOR, or Shanghai Inter-bank Offered Rates ("SHIBOR").

17 BORROWINGS (CONTINUED)

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

	31 December 2020	31 December 2019
Effective interest rate:		
Fixed-rate borrowing	**0.83%-4.60%**	2.18%-5.00%
Floating-rate borrowing	**"LIBOR-1.05% to LIBOR+3.30%"**	"LIBOR+0.60% to LIBOR+2.70%"

18 BONDS PAYABLE

	31 December 2020	31 December 2019
Guaranteed unsecured bonds[1]	**41,708,209**	39,314,166
Unguaranteed unsecured bonds	**4,513,500**	3,497,102
	46,221,709	42,811,268

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

			As at 31 December 2020		
		Maturity (Year)	**Face value**	**Guaranteed unsecured bonds** [1]	**Unguaranteed unsecured bonds**
Currency	**Fixed Coupon Rate**				
RMB	3.60% to 3.80%	2021 to 2022	715,000	715,000	–
HKD	1.35% to 3.60%	2021 to 2022	6,008,468	6,008,468	–
USD	1.29% to 4.25%	2021 to 2027	33,798,982	29,231,552	4,567,430
			40,522,450	35,955,020	4,567,430
Currency	**Floating Rate**				
USD	3-month LIBOR + Margin ranging from 1.15% to 1.25%	2021	5,872,410	5,872,410	–
			46,394,860	41,827,430	4,567,430

18 BONDS PAYABLE (CONTINUED)

			As at 31 December 2019		
		Maturity (Year)	Face value	Guaranteed unsecured bonds [1]	Unguaranteed unsecured bonds
Currency	**Fixed Coupon Rate**				
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

(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 subsidiaries of the Group.

19 SHARE CAPITAL

	31 December 2020	31 December 2019
Registered, issued and fully paid: par value RMB1.00 per share	**12,642,380**	12,642,380

20 HEDGING AND FAIR VALUE RESERVE

The movements of hedging and fair value reserve of the Group are set out below:

	2020	2019
At the beginning of the year	**(641,994)**	(177,698)
Fair value changes on derivatives	**(571,752)**	(493,353)
Fair value changes on FVOCI	**(5,172)**	(17,968)
Income tax effects	**73,033**	47,025
At the end of the year	**(1,145,885)**	(641,994)

21 DIVIDENDS

The dividends paid in 2020 are RMB1,322,140,100 (RMB1.0458 per 10 ordinary shares; 2019: RMB1,128,079,567, RMB0.8923 per 10 ordinary shares). A dividend in respect of the year ended 31 December 2020 of RMB0.7756 per 10 ordinary shares, amounting to a total dividend of RMB980,542,993, is to be proposed at the annual general meeting. These financial statements do not reflect this dividend payable.

22 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.

Specifically, the Group's operating segments are as follows:

- 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 2020 and 2019.

22 SEGMENT REPORTING (CONTINUED)

The operating and reportable segment information provided to the CODM during the years ended 31 December 2020 and 2019 is as follows:

	Aircraft leasing	Infrastructure leasing	Ship leasing	Inclusive finance	Others	Consolidated total
For the year ended 31 December 2020						
Segment revenue and results						
Finance lease income	9,005	6,483,562	831,745	1,245,320	630,212	9,199,844
Operating lease income	7,350,000	33,253	951,013	–	185,785	8,520,051
Segment revenue	7,359,005	6,516,815	1,782,758	1,245,320	815,997	17,719,895
Segment other income, gains and losses	891,928	165,390	573,564	17,364	(39,425)	1,608,821
Segment revenue and other income	8,250,933	6,682,205	2,356,322	1,262,684	776,572	19,328,716
Segment expenses	(8,556,860)	(4,127,134)	(1,692,580)	(603,440)	234,875	(14,745,139)
Profit before impairment losses and income tax	1,938,803	3,379,901	594,733	637,817	313,946	6,865,200
Profit before income tax	(305,927)	2,555,071	663,742	659,244	1,011,447	4,583,577
As at 31 December 2020						
Segment assets and liabilities						
Segment assets	94,673,457	136,052,402	34,183,248	25,131,325	11,958,393	301,998,825
Deferred tax assets						1,330,842
Group's total assets						303,329,667
Segment liabilities	86,412,890	120,942,185	32,009,294	22,932,413	13,645,806	275,942,588
Deferred tax liabilities						757,764
Group's total liabilities						276,700,352
Other segment information						
Depreciation of investment properties	–	–	–	–	(35,287)	(35,287)
Depreciation of property and equipment	(3,381,439)	(40,379)	(509,672)	(3,725)	(23,725)	(3,958,940)
Depreciation of right-of-use assets	(50,541)	(4,259)	(1,127)	(807)	(481)	(57,215)
Amortisation	(62,156)	(6,511)	(1,723)	(1,235)	(10,497)	(82,122)
Capital expenditure	9,527,522	4,006	6,169,464	760	31,206	15,732,958
Impairment losses	(2,244,730)	(824,830)	69,009	21,427	697,501	(2,281,623)

22 SEGMENT REPORTING (CONTINUED)

The operating and reportable segment information provided to the CODM during the years ended 31 December 2020 and 2019 is as follows (continued):

	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	2,070,572	2,580,630	590,326	458,961	329,459	6,029,948
Profit before income tax	1,605,799	1,728,679	362,403	408,541	(112,661)	3,992,761
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						1,428,924
Group's total assets						261,300,668
Segment liabilities	82,358,345	93,386,043	26,398,588	20,377,906	12,283,210	234,804,092
Deferred tax liabilities						827,334
Group's total liabilities						235,631,426
For the year ended 31 December 2019						
Other segment information						
Depreciation of investment properties	–	–	–	–	(37,169)	(37,169)
Depreciation of property 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	(464,773)	(851,951)	(227,923)	(50,420)	(442,120)	(2,037,187)

The largest customer, Airline Company A contributed 5.21% of the Group’s revenue for the year ended 31 December 2020 (2019: 7.33%).

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 the PRC.

23 FAIR VALUE OF THE FINANCIAL INSTRUMENTS

23.1 Fair values of financial instruments that are not measured at fair value

Except as detailed in the following table, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

	Group			
	As at 31 December			
	2020		2019	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Bonds payable	**46,221,709**	**47,649,865**	42,811,268	43,540,363

Fair value hierarchy of bonds payable is level 2 and its fair value is determined by the open market quotations or measured by the discounted cash flow model based on the current income curve matching the residual maturity date.

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

23.2 Fair values of financial instruments that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value as at 31 December 2020 and 2019. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

	Financial assets/financial liabilities	Fair value as at 31 December 2020	Fair value as at 31 December 2019	Fair value hierarchy	Valuation technique(s) and key Input(s)
Currency forwards (Note 12)	Assets Liabilities	**283,719** **35,904**	– 14,069	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contractual forward rates, discounted at a rate that reflects the credit risk of various counterparties.
Interest rate swaps (Note 12)	Assets Liabilities	**–** **1,380,301**	32,425 723,869	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contractual interest rates, discounted at a rate that reflects the credit risk of various counterparties.
Listed equity investments (Note 11)	Assets	**9,214**	–	Level 1	Open market quotations
Unlisted equity investments (Note 11)	Assets	**207,648**	148,774	Level 3	Market comparison approach. The valuation of the equity investment is based on comparing comparable listed companies in operating and financial index and then adjusted for non-liquidity.
Cross Currency Swaps (Note 12)	Assets Liabilities	**44,572** **2**	– 51,280	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest and exchange rates (from observable yield curves and observable forward exchange rates at the end of the reporting period) and contractual interest and exchange rates, discounted at a rate that reflects the credit risk of various counterparties.
FVOCI – Bonds investment (Note 13)	Assets	**955,060**	–	Level 2	Quoted market prices from dealers or independent pricing service vendors

24 EVENTS AFTER THE REPORTING PERIOD

On 25 February 2021, CDBL Funding 2, a subsidiary of the Company, issued U.S.$500,000,000 1.375 per cent. bonds due 2024 and U.S.$500,000,000 2.00 per cent. bonds due 2026 under the U.S.$10,000,000,000 Medium Term Note Programme, unconditionally and irrevocably guaranteed by CDB Leasing (International) Company Limited with the benefit of a Keepwell and Asset Purchase Deed provided by the Company.

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
"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
"CDB"	China Development Bank, established in the PRC in 1994 and restructured as a limited liability company in 2017, and the Controlling Shareholder of the Company which holds 64.40% equity interest of the Company
"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 SPVs, or our Company and any one or more of its subsidiaries or SPVs, as the context may require

"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"Ministry of Finance"	Ministry of Finance of the People's Republic of China
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules
"OEM(s)"	collectively or individually, Boeing, Airbus and other aircraft manufacturers
"PBOC"	the Central Bank of the People's Republic of China
"Prospectus"	the prospectus of the Company dated June 24, 2016
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"Reporting Period"	from January 1, 2020 to December 31, 2020
"Share(s)"	share(s) in the share capital of the Company with a nominal value of RMB1.00 each
"Shareholder(s)"	holder(s) of the Share(s)
"State Council"	State Council of the People's Republic of China
"subsidiary(ies)"	has the meaning ascribed to it in section 15 of the Companies Ordinance
"Supervisor(s)"	supervisor(s) of the Company
"US$", "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
"SPV(s)"	special purpose vehicle(s)
"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 30, 2021

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 and Mr. WANG Bangyi; and the independent non-executive Directors of the Company are Mr. ZHENG Xueding, Mr. XU Jin and Mr. ZHANG Xianchu.